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MEMORANDUM

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

TO: Docket Control Center

FROM: Steven M. Olea  
Director  
Utilities Division

DATE: May 1, 2015

RE: STAFF REPORT FOR BACA FLOAT WATER COMPANY, INC. FOR INCREASES  
IN RATES AND CHARGES FOR WATER AND WASTEWATER SERVICES.  
DOCKET NOS. WS-01678A-14-0424 AND WS-01678A-14-0425

Attached is the Staff Report for Baca Float Water Company Inc.'s ("Company") applications for permanent rate increases for its water and wastewater divisions. Staff recommends approval of Staff's rates and charges contingent upon the Company filing an updated Arizona Department of Water Resources ("ADWR") Compliance Status Report indicating that the Company is in compliance with ADWR requirements.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before May 13, 2015.

SMO:CLP:vsc\BES

Originator: Christine Payne

Arizona Corporation Commission  
**DOCKETED**

MAY 01 2015

DOCKETED BY	BAL
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Service List for: Baca Float Water Company  
Docket Nos. WS-01678A -14-0424, et al.

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**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**BACA FLOAT WATER COMPANY, INC.  
DOCKET NOS. WS - 01678A-14-0424 et al**

**APPLICATIONS FOR PERMANENT RATE INCREASES  
FOR ITS WATER AND WASTEWATER DIVISIONS**

**May 1, 2015**

## STAFF ACKNOWLEDGMENT

The Staff Report for Baca Float Water Company, Inc.'s ("Company") applications for Docket Nos. WS-01678A-14-0424 et al for its water and wastewater divisions, respectively, were the responsibility of the Staff members listed below. Christine Payne was responsible for the review and analysis of the Company's applications, recommended revenue requirements, rate base and rate design. Jian Liu was responsible for the engineering and technical analysis. Tom Davis was responsible for reviewing the Commission's records on the Company, determining compliance with Commission policies/rules, and reviewing customer complaints filed with the Commission.

**CHRISTINE L. PAYNE  
PUBLIC UTILITIES ANALYST III**



**JIAN LIU  
UTILITIES ENGINEER**



**TOM DAVIS  
PUBLIC UTILITIES CONSUMER ANALYST I**



## EXECUTIVE SUMMARY

Baca Float Water Company, Inc. ("Baca Float" or "Company") is an Arizona Class D utility in the business of providing water and wastewater service in portions of Santa Cruz County, Arizona. Baca Float provided water service to approximately 400 customers and wastewater service to approximately 378 customers during the test year. The current rates for Baca Float's water division were approved in Decision No. 71907, dated September 28, 2010. The current rates for Baca Float's wastewater division were approved in Decision No. 72637, dated October 14, 2011.

### Baca Float – Water Division

Baca Float water division proposes a revenue increase of \$75,000, or 36.08 percent, which would increase revenues from \$207,887 to \$282,887. The proposed revenue increase would produce an operating income of \$24,704. The Company proposed an original cost rate base ("OCRB") of \$583,529. The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 3,000 gallons from \$24.75 to \$37.45, for an increase of \$12.70 or 51.31 percent.

Staff recommends a revenue increase of \$70,689, or 34.00 percent, which would increase revenues from \$207,887 to \$278,576. Staff's recommended revenue increase would produce an operating income of \$23,341. Staff recommends an OCRB of \$583,529. Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 3,000 gallons from \$24.75 to \$34.05, for an increase of \$9.30 increase or 37.58 percent.

### Baca Float – Wastewater Division

Baca Float wastewater division proposes a revenue increase of \$42,000, or 16.80 percent, which would increase revenues from \$249,991 to \$291,991. The proposed revenue increase would produce an operating income of \$21,019. The Company proposed an OCRB of \$144,400. The Company's proposed rates would increase the monthly residential bill from \$54.00 to \$63.16, for an increase of \$9.16 or 16.96 percent.

Staff recommends a revenue increase of \$31,509, or 12.60 percent, which would increase revenues from \$249,991 to \$281,500. Staff's recommended revenue increase would produce an operating income of \$14,537. Staff recommends an OCRB of \$144,400. Staff's recommended rates would increase the monthly residential bill from \$54.00 to \$61.00, for an increase of \$7.00 or 12.96 percent.

## **STAFF'S RECOMMENDATIONS**

Staff recommends:

1. That any increase in rates and charges for the water division approved by the Commission in this proceeding not become effective until the first day of the month following the Company's filing of an updated ADWR Compliance Status Report indicating that the

Company is in compliance with ADWR requirements. That any increase in rates and charges for the wastewater division approved by the Commission in this proceeding not become effective until the first day of the month following the Company's filing of an updated ADEQ Compliance Status Report indicating that the Company is in compliance with ADEQ requirements.

2. The Commission authorize Baca Float to collect from its customers an appropriate share of any privilege, sales or use tax as provided for in AAC R14-2-409(D).
3. The Company be ordered to file with Docket Control, as a compliance item in this Docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.
4. That the Company adopt the typical and customary depreciation rates as delineated on the attached Engineering Report in Table I-1.
5. That the Commission approve the three Best Management Practices ("BMP") tariffs attached hereto as Exhibit A.
6. That the Company monitor water use for its water system and report water losses on a monthly basis in its Annual Report to the Commission. The Company shall coordinate readings from the well production meters and individual customer meters and report the results in its Annual Report going forward. Staff further recommends that if the reported water loss is still greater than 10 percent for its water system as of December 31, 2016, the Company shall prepare a water loss reduction report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, Baca Float Water Company should submit a detailed cost benefit analysis to support its opinion. In no case shall Baca Float Water Company allow water loss to be greater than 15 percent for its water system. The water loss reduction report or the detailed cost benefit analysis, whichever is submitted per this recommendation, shall be docketed as a compliance item no later than April 30th, 2017.

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**WATER SCHEDULES**

SUMMARY OF FILING .....Schedule CLP-1-W  
RATE BASE.....Schedule CLP-2-W  
STATEMENT OF OPERATING INCOME.....Schedule CLP-3-W  
RATE DESIGN.....Schedule CLP-4-W  
TYPICAL BILL ANALYSIS .....Schedule CLP-5-W

**WASTEWATER SCHEDULES**

SUMMARY OF FILING .....Schedule CLP-1-WW  
RATE BASE.....Schedule CLP-2-WW  
STATEMENT OF OPERATING INCOME.....Schedule CLP-3-WW  
RATE DESIGN.....Schedule CLP-4-WW  
TYPICAL BILL ANALYSIS .....Schedule CLP-5-WW

**Attachment**

Engineering Report Water Division ..... Attachment A  
Engineering Report Sewer Division ..... Attachment B

Baca Float Water Company- Water Division

**FACT SHEET (Water Division)**

Company:

Type of Ownership: Arizona "C" Corporation

Location: Baca Float Water Company, Inc. provides water service to the community of Tubac, which is located approximately 30 miles north of Nogales along Interstate Highway 19, in Santa Cruz County, Arizona.

Rates:

Current Rates: effective November 1, 2011, per Decision No. 71907, dated October 14, 2011.

Permanent rate increase application filed: December 30, 2014.

Current test year ended: December 31, 2013.

**Metered Rates:**

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Based on 5/8 x 3/4-inch meter			
<u>Monthly Minimum Charge</u>	\$15.00	\$26.50	\$18.00
<b>Gallons in minimum</b>	0	0	0
<b>Commodity Charge (per 1,000 gallons)</b>			
0 to 3,000 gallons	\$3.25	\$3.65	\$5.35
3,001 to 10,000 gallons	\$4.90	\$5.57	\$7.00
Over 10,000 gallons	\$5.85	\$6.72	\$8.50
<b>Typical residential bill</b> (based on median usage of 3,000 gallons)	\$24.75	\$37.45	\$34.05

Customers:

Average number of metered customers for Baca Float's water division in the current test year (12/31/13): 400

Customer Notification:

On December 30, 2014, the Company filed an Affidavit of Mailing with the Commission confirming that their customers were notified of the Company's application for a rate increase.

Complaints:

A review of the Consumer Services database from January 1, 2012, to March 25, 2015, revealed that no complaints or opinions were received for Baca Float's water division.

Baca Float Water Company- Wastewater Division

**FACT SHEET (Wastewater Division)**

Company:

Type of Ownership: Arizona "C" Corporation

Location: Baca Float Water Company, Inc. provides wastewater service to the community of Tubac, which is located approximately 30 miles north of Nogales along Interstate Highway 19, in Santa Cruz County, Arizona.

Rates:

Current Rates: effective October 14, 2011, per Decision No. 72637, dated October 14, 2011.

Permanent rate increase application filed: December 30, 2014.

Current test year ended: December 31, 2013.

**Monthly Rates:**

	Company Current <u>Rates</u>	Company Proposed <u>Rates</u>	Staff Recommended <u>Rates</u>
<b>Flat Rate Customers</b>			
Residential	54.00	63.16	61.00
Commercial	90.00	105.29	100.00

Customers:

Average number of customers for Baca Float's wastewater division in the current test year (12/31/13): 390

Customer Notification:

On December 30, 2014, the Company filed an Affidavit of Mailing with the Commission confirming that their customers were notified of the Company's application for a rate increase.

Complaints:

A review of the Consumer Services database from January 1, 2012, to March 25, 2015, revealed that no complaints or opinions were received for Baca Float's wastewater divisions.

## SUMMARY OF FILING – (WATER & WASTEWATER DIVISIONS)

On December 30, 2014, Baca Float Water Company, Inc. (“Baca Float or “Company”) filed applications with the Arizona Corporation Commission (“Commission”) for permanent rate increases for its water and wastewater divisions. On January 26, 2015, the Commission Utilities Division Staff (“Staff”) determined that the Company’s applications met sufficiency requirements of the Arizona Administrative Code, Section R14-2-103.

### *Baca Float Water*

Baca Float’s proposed rates for the water division would produce total operating revenue of \$282,887 and operating income of \$24,704. The Company’s proposed original cost rate base (“OCRB”) is \$583,529. The Company’s proposed rates would increase the typical residential bill, with a median usage of 3,000 gallons, from \$24.75 to \$37.45 for an increase of \$12.70, or 51.31 percent, as shown on Schedule CLP-5-W.

Staff’s recommended rates for the water division would produce total operating revenue of \$278,576 and operating income of \$23,341. Staff recommends an OCRB of \$583,529. Staff’s recommended rates would increase the typical residential bill, with a median usage of 3,000 gallons, from \$24.75 to \$34.05 for an increase of \$9.30, or 37.58 percent, as shown on Schedule CLP-5-W.

### *Baca Float Wastewater*

Baca Float’s proposed rates for the wastewater division would produce total operating revenue of \$291,991 and operating income of \$21,019. The Company’s proposed OCRB is \$144,400. The Company’s proposed rates would increase the typical residential bill from \$54.00 to \$63.16 for an increase of \$9.16, or 16.96 percent, as shown on Schedule CLP-5-WW.

Staff’s recommended rates for the wastewater division would produce total operating revenue of \$281,500 and operating income of \$14,537. Staff recommends an OCRB of \$144,400. Staff’s recommended rates would increase the typical residential bill from \$54.00 to \$61.00 for an increase of \$7.00, or 12.96 percent, as shown on Schedule CLP-5-WW.

## CONSUMER SERVICES

### *Recommendations for Miscellaneous Service Charges for Baca Float’s Water and Wastewater Divisions*

Establishment Charge – Baca Float Water proposed an increase to the Establishment Charge from \$20 to \$30. Baca Float Wastewater proposed an increase to the Establishment Charge from \$20 to \$25. Staff recommends approval of an Establishment Charge of \$25 each for water and wastewater.

Establishment (After Hours) Baca Float Water proposed to eliminate the Establishment (After Hours) charge. Staff concurs. Baca Float Wastewater did not have an Establishment (After Hours) charge.

Reconnection (Delinquent) Charge – Baca Float Water has proposed an increase to the Reconnection (Delinquent) Charge from \$30 to \$40. Staff recommends \$35. Baca Float Wastewater has proposed an increase from \$30 to \$35. Staff recommends \$35.

Reconnection (Delinquent and After Hours) - Baca Float Water proposed that the Reconnection (Delinquent and After Hours) be eliminated from the tariff. Staff concurs.

After Hours Service Charge – Baca Float Water has proposed an After Hours Service Charge (at customers request) of \$35 and Baca Float Wastewater has proposed no increase to its current charge of \$50. Staff concurs.

Meter Test (if correct) - Baca Float Water proposed to increase the Meter Test (if correct) from \$30.00 to \$40.00. Staff recommends no increase of the Meter Test (if correct) charge of \$30.00. Arizona Corporation Commission's Utilities Division tests 5/8" and 3/4" meters at no charge to Baca Float.

Deposit and Deposit Interest – Baca Float has proposed no change to the Deposit and Deposit Interest for water and wastewater. Staff concurs.

Re-Establishment (within 12 months) – Baca Float has proposed no change to the Re-Establishment (within 12 months) for water and wastewater. Staff concurs.

NSF Check – Baca Float has proposed an increase to the NSF Check charge from \$25 to \$30 for water and wastewater. Baca Float provided information that the bank charge is \$10 for each NSF check. Staff recommends no change to the current NSF Check charge of \$25 for water or wastewater. Baca Float may only charge one NSF fee when customers are billed for water and wastewater services on one bill.

Deferred Payment – Baca Float has proposed no increase in the Deferred Payment for water and wastewater. Staff concurs.

Meter Re-read (if correct) – Baca Float Water proposes to increase the Meter-Re-read (if correct) from \$10 to \$20. Staff recommends an increase from \$10 to \$15.

Late Fee Penalty – Baca Float has proposed no increase in the Late Fee Penalty for water and wastewater. Staff concurs.

**COMPLIANCE: (*Water and Wastewater Divisions*)**

The Utilities Division Compliance Section shows no outstanding compliance issues.

Baca Float is current on its property tax payments.

Baca Float is in good standing with the Corporations Division of the Commission.

The Company's water division is not in compliance with the Arizona Department of Water Resources ("ADWR") monitoring and reporting regulations for Aquifer Protection Permit. ADWR reported that the Company's drinking water system is not in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report dated January 27, 2015).

The Company's wastewater division is not in compliance with the Arizona Department of Environmental Quality ("ADEQ") regulations. ADEQ reported that the Company has to file an updated ADEQ Compliance Status Report indicating that the Company's sewer system is in compliance with ADEQ regulations.

#### **ENGINEERING ANALYSIS – (*Water and Wastewater Divisions*)**

The water and wastewater systems were field-inspected on February 26, 2015, by Mr. Jian Liu, Staff Utilities Engineer. A complete discussion of Staff's technical findings and recommendations and a complete description of the water and wastewater systems are provided in the attached Engineering Report (Attachment A).

#### **RATE BASE – (*Water Division*)**

Staff concurs with the Company's proposed OCRB of \$583,529.

#### *Amortization of Contributions*

Staff concurs with the Company's amortization amount of \$295,748 in Contributions In Aid of Construction ("CIAC") reducing the gross contributions of \$1,171,089 to \$875,341 net CIAC as shown on Schedule CLP-2-W.

#### **RATE BASE – (*Wastewater Division*)**

Staff concurs with the Company's proposed OCRB of \$144,400.

#### *Amortization of Contributions*

Staff concurs with the Company's amortization amount of \$1,459,917 in CIAC reducing the gross contributions of \$2,140,912 to \$680,995 net CIAC as shown on Schedule CLP-2-WW, page 1 of 2.

#### **OPERATING INCOME STATEMENT (*Water Division*)**

#### *Operating Revenue*

Staff concurs with the Company's test year operating revenue of \$207,887.

Operating Expenses

Staff's adjustments to operating expenses resulted in an increase of \$1,635, from \$238,413 to \$240,048, as shown on Schedule CLP-3-W, page 1 of 4. The adjustments are explained below.

Water Testing – Adjustment “a” increased water testing expense by \$1,185 from \$1,078 to \$2,263, as shown on Schedule CLP-3-W, page 1 of 4. This adjustment is the recommended amount for water testing in Staff's Engineering's Report on page 11.

Property Tax – Adjustment “b” decreased property tax expense by \$584 from \$11,389 to \$10,805 based on the Arizona Department of Revenue's methodology as shown on schedule CLP-3-W, page 3 of 4.

Income Tax - Adjustment “c” increased test year income taxes by \$1,034 from the Company's test year amount of (\$9,125) to Staff's adjusted test year amount of (\$8,091) as shown on Schedules CLP-3-W, page 4 of 4. This adjustment reflects Staff's calculation of income tax expense based on Staff's adjusted operating loss for the test year.

**OPERATING INCOME STATEMENT (*Wastewater Division*)**

Operating Revenue

Staff concurs with the Company's test year operating revenue of \$249,991.

Operating Expenses

Staff's adjustments to operating expenses resulted in an increase of \$11, from \$260,183 to \$260,194, as shown on Schedule CLP-3-WW, page 1 of 4. The adjustments are explained below.

Depreciation Expense – Adjustment “a” reduced depreciation expense by (\$470) from the Company's proposed depreciation expense of \$8,636 to \$8,166 based on Staff's calculated plant balances and amortization of CIAC as shown on Schedule CLP-3-WW, page 2 of 4.

Income Tax - Adjustment “b” increased test year income taxes by \$481 from the Company's test year amount of (\$3,047) to Staff's adjusted amount of (\$2,566) as shown on Schedules CLP-3-WW, page 4 of 4. This adjustment reflects Staff's calculation of income tax expense based on Staff's adjusted operating loss for the test year.

**REVENUE REQUIREMENT – (*Water Division*)**

Staff recommends total operating revenue of \$278,576, a \$70,689 or 34.00 percent increase over the test year revenues of \$207,887 as shown in Schedule CLP-1-W. Staff believes that its recommended cash flow provides ample funds to meet the Company's operating needs.

### **REVENUE REQUIREMENT – (*Wastewater Division*)**

Staff recommends total operating revenue of \$281,500, a \$31,509 or 12.60 percent increase over the test year revenues of \$249,991 as shown in Schedule CLP-1-WW. Staff believes that its recommended cash flow provides ample funds to meet the Company's operating needs.

### **RATE DESIGN – (*Water Division*)**

Schedule CLP-4-W presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

The Company's proposed rates would increase the typical residential bill with a median usage of 3,000 gallons from \$24.75 to \$37.45, an increase of \$12.70, or 51.31 percent, as shown on Schedule CLP-5-W.

Staff's recommended rates would increase the typical residential bill with a median usage of 3,000 gallons from \$24.75 to \$34.05, an increase of \$9.30, or 37.58 percent, as shown on Schedule CLP-5-W.

### **RATE DESIGN – (*Wastewater Division*)**

Schedule CLP-4- WW presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

The Company's proposed rates would increase the typical flat rate residential bill from \$54.00 to \$63.16, an increase of \$9.16 or 16.96 percent, as shown on Schedule CLP-5-WW.

Staff's recommended rates would increase the typical flat rate residential bill from \$54.00 to \$61.00, an increase of \$7.00, or 12.96 percent, as shown on Schedule CLP-5-WW.

### **STAFF RECOMMENDATIONS**

Staff recommends:

1. That any increase in rates and charges for the water division approved by the Commission in this proceeding not become effective until the first day of the month following the Company's filing of an updated ADWR Compliance Status Report indicating that the Company is in compliance with ADWR requirements. That any increase in rates and charges for the wastewater division approved by the Commission in this proceeding not become effective until the first day of the month following the Company's filing of an updated ADEQ Compliance Status Report, indicating that the Company is in compliance with ADEQ requirements.
2. The Commission authorize Baca Float to collect from its customers an appropriate share of any privilege, sales or use tax as provided for in AAC R14-2-409(D).

3. The Company is ordered to file with Docket Control, as a compliance item in this Docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.
4. That the Company adopt the typical and customary depreciation rates as delineated on the attached Engineering Report in Table I-1.
5. That the Commission approve the three Best Management Practices ("BMP") tariffs attached hereto as Exhibit B.
6. That the Company monitor water use for its water system and report water losses on a monthly basis in its Annual Report to the Commission. The Company shall coordinate readings from the well production meters and individual customer meters and report the results in its Annual Report going forward. Staff further recommends that if the reported water loss is still greater than 10 percent for its water system as of December 31, 2016, the Company shall prepare a water loss reduction report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, Baca Float Water Company should submit a detailed cost benefit analysis to support its opinion. In no case shall Baca Float Water Company allow water loss to be greater than 15 percent for its water system. The water loss reduction report or the detailed cost benefit analysis, whichever is submitted per this recommendation, shall be docketed as a compliance item no later than April 30th, 2017.

**SUMMARY OF FILING**

	-- Present Rates --		Proposed		Recommended	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Recommended	Company as Filed	Staff as Recommended
<b>Revenues:</b>						
Metered Water Revenue	\$ 205,512	\$ 205,512	\$ 280,512	\$ 276,201	\$ 280,512	\$ 276,201
Unmetered Water Revenue	-	-	-	-	-	-
Other Water Revenues	2,375	2,375	2,375	2,375	2,375	2,375
<b>Total Operating Revenue</b>	<b>\$ 207,887</b>	<b>\$ 207,887</b>	<b>\$ 282,887</b>	<b>\$ 278,576</b>	<b>\$ 282,887</b>	<b>\$ 278,576</b>
<b>Operating Expenses:</b>						
Operation and Maintenance	\$ 222,166	\$ 223,351	\$ 222,166	\$ 223,351	\$ 222,166	\$ 223,351
Depreciation	8,962	8,962	8,962	8,962	8,962	8,962
Property & Other Taxes	16,410	15,826	20,519	17,051	20,519	17,051
Income Tax	(9,125)	(8,091)	6,536	5,872	6,536	5,872
<b>Total Operating Expense</b>	<b>\$ 238,413</b>	<b>\$ 240,048</b>	<b>\$ 258,183</b>	<b>\$ 255,235</b>	<b>\$ 258,183</b>	<b>\$ 255,235</b>
<b>Operating Income/(Loss)</b>	<b>\$ (30,526)</b>	<b>\$ (32,161)</b>	<b>\$ 24,704</b>	<b>\$ 23,341</b>	<b>\$ 24,704</b>	<b>\$ 23,341</b>
<b>Rate Base O.C.L.D.</b>	<b>\$ 583,529</b>	<b>\$ 583,529</b>	<b>\$ 583,529</b>	<b>\$ 583,529</b>	<b>\$ 583,529</b>	<b>\$ 583,529</b>
<b>Rate of Return - O.C.L.D.</b>	<b>N/M</b>	<b>N/M</b>	<b>4.23%</b>	<b>4.00%</b>	<b>4.23%</b>	<b>4.00%</b>

**RATE BASE**

	----- Original Cost -----		
	Company	Adjustment	Staff
Plant in Service	\$ 1,458,870	\$ -	\$ 1,458,870
Less:			
Accum. Depreciation	-	-	-
<b>Net Plant</b>	<b>\$ 1,458,870</b>	<b>\$ -</b>	<b>\$ 1,458,870</b>
Less:			
Plant Advances	-	-	-
Accumulated Deferred Income Taxes	-	-	-
<b>Total Advances</b>	<b>-</b>	<b>-</b>	<b>-</b>
Contributions Gross	1,171,089	-	1,171,089
Less:			
Amortization of CIAC	(295,748)	-	(295,748)
<b>Net CIAC</b>	<b>875,341</b>	<b>-</b>	<b>875,341</b>
<b>Total Deductions</b>	<b>\$ 875,341</b>	<b>\$ -</b>	<b>\$ 875,341</b>
Plus:			
1/24 Power	-	-	-
1/8 Operation & Maint.	-	-	-
Inventory	-	-	-
Prepayments	-	-	-
<b>Total Additions</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Rate Base</b>	<b>\$ 583,529</b>	<b>\$ -</b>	<b>\$ 583,529</b>

**PLANT IN SERVICE**

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$ -	\$ -	\$ -
303 Land and Land Rights	1,084	-	1,084
304 Structures and Improvements	61,479	-	61,479
307 Wells and Springs	117,415	-	117,415
309 Supply Mains	-	-	-
310 Power Generation Equipment	68,107	-	68,107
311 Pumping Equipment	36,830	-	36,830
320 Water Treatment Equipment	-	-	-
320.1 Water Treatment Plants	148,706	-	148,706
320.2 Solution Chemical Feeder	2,147	-	2,147
330 Distribution Reservoirs and Standpipes	-	-	-
330.1 Storage Tanks	261,551	-	261,551
330.2 Pressure Tanks	3,005	-	3,005
331 Transmission and Distribution Mains	523,374	-	523,374
333 Services	76,400	-	76,400
334 Meters and Meter Installations	49,944	-	49,944
335 Hydrants	81,000	-	81,000
336 Backflow Prevention Devices	-	-	-
339 Other Plant and Misc. Equipment	24,594	-	24,594
340 Office Furniture and Equipment	1,913	-	1,913
340.1 Computers and Software	-	-	-
341 Transportation Equipment	-	-	-
343 Tools, Shop, and Garage Equipment	1,321	-	1,321
345 Power Operated Equipment	-	-	-
347 Miscellaneous Equipment	-	-	-
348 Other Tangible Equipment	-	-	-
347 Miscellaneous Equipment	-	-	-
348 Other Intangibles	-	-	-
<b>TOTALS</b>	<b>\$ 1,458,870</b>	<b>\$ -</b>	<b>\$ 1,458,870</b>

*Explanation of Adjustment:*

No adjustment to Accumulated Depreciation

ACCT. NO.	DESCRIPTION	PLANT BALANCE	Staff	Company
		TY end 12/31/13 BALANCE	Accum. Dep. TY end 12/3	Accum. Depr. TY end 12/31/13
301	Organization	\$ -	\$ -	\$ -
303	Land and Land Rights	1,084	-	-
304	Structures and Improvements	61,479	20,891	20,891
307	Wells and Springs	117,415	46,642	46,642
309	Supply Mains	-	-	-
310	Power Generation Equipment	68,107	22,135	22,135
311	Pumping Equipment	36,830	29,509	29,509
320	Water Treatment Equipment	-	-	-
320.1	Water Treatment Plants	148,706	36,506	36,506
320.2	Solution Chemical Feeder	2,147	2,147	2,147
330	Distribution Reservoirs and Standpipes			
330.1	Storage Tanks	261,551	44,604	44,604
330.2	Pressure Tanks	3,005	376	376
331	Transmission and Distribution Mains	523,374	88,396	88,396
333	Services	76,400	16,541	16,541
334	Meters and Meter Installations	49,944	35,756	35,756
335	Hydrants	81,000	10,530	10,530
336	Backflow Prevention Devices	-	-	-
339	Other Plant and Misc. Equipment	24,594	9,022	9,022
340	Office Furniture and Equipment	1,913	1,277	1,277
340.1	Computers and Software	-	-	-
341	Transportation Equipment	-	-	-
343	Tools, Shop, and Garage Equipment	1,321	602	602
345	Power Operated Equipment	-	-	-
347	Miscellaneous Equipment	-	-	-
348	Other Tangible Equipment	-	-	-
	<b>TOTAL</b>	<b>\$ 1,458,870</b>	<b>\$364,933</b>	<b>\$ 364,933</b>

**STATEMENT OF TEST YEAR OPERATING INCOME**

	Company	Staff	Staff	Staff	Staff
	Adjusted TY	Adjustments	Adj. Test Year	Adjustments	Adjusted
<b>Revenues:</b>					
461 Metered Water Revenue	\$ 205,512	\$ -	\$ 205,512	\$ 70,689	\$ 276,201
460 Unmetered Water Revenue	-	-	-	-	-
474 Other Water Revenues	2,375	-	2,375	-	2,375
<b>Total Operating Revenue</b>	<b>\$ 207,887</b>	<b>\$ -</b>	<b>\$ 207,887</b>	<b>\$ 70,689</b>	<b>\$ 278,576</b>
<b>Operating Expenses:</b>					
601 Salaries and Wages	67,665	-	67,665	-	67,665
610 Purchased Water	-	-	-	-	-
615 Purchased Power	9,254	-	9,254	-	9,254
618 Chemicals	8,385	-	8,385	-	8,385
620 Repairs and Maintenance	42,239	-	42,239	-	42,239
621 Office Supplies & Expense	6,607	-	6,607	-	6,607
630 Outside Services	65,242	-	65,242	-	65,242
635 Water Testing	1,078	1,185 a	2,263	-	2,263
641 Rents	4,351	-	4,351	-	4,351
650 Transportation Expenses	904	-	904	-	904
657 Insurance - General Liability	2,216	-	2,216	-	2,216
659 Insurance - Health and Life	5,892	-	5,892	-	5,892
666 Regulatory Commission Exp.	8,333	-	8,333	-	8,333
675 Miscellaneous Expense	-	-	-	-	-
403 Depreciation Expense	8,962	-	8,962	-	8,962
408 Taxes Other Than Income	5,021	-	5,021	-	5,021
408.11 Property Taxes	11,389	(584) b	10,805	1,225	12,030
409 Income Tax	(9,125)	1,034 c	(8,091)	13,963	5,872
Customer Security Deposit Interest	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 238,413</b>	<b>\$ 1,635</b>	<b>\$ 240,048</b>	<b>\$ 15,188</b>	<b>\$ 255,236</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (30,526)</b>	<b>\$ (1,635)</b>	<b>\$ (32,161)</b>	<b>\$ 55,501</b>	<b>\$ 23,341</b>

### STAFF ADJUSTMENTS

A	WATER TESTING - Per Company	\$	1,078	
	Per Staff		2,263	\$ 1,185
	As recommended by Staff's Engineering report.			

**STAFF ADJUSTMENTS, contd**

c	-	PROPERTY TAXES - Per Company	11,389
		Per Staff	<u>10,805</u>
		Property tax adjustment based on ADOR's methodology.	<u><u>(584)</u></u>

**OPERATING INCOME ADJUSTMENT B - PROPERTY TAXES**

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 207,887	\$ 207,887
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 415,774	\$ 415,774
4	Staff Recommended Revenue	\$207,887	\$ 278,576
5	Subtotal (Line 4 + Line 5)	\$ 623,661	\$ 694,350
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 207,887	\$ 231,450
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 415,774	\$ 462,900
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 415,774	\$ 462,900
13	Assessment Ratio	18.50%	18.50%
14	Assessment Value (Line 12 * Line 13)	\$ 76,918	\$ 85,636
15	Composite Property Tax Rate - Obtained from ADOR	14.04720%	14.04720%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 10,805	
17	Company Proposed Property Tax	11,389	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (584)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 12,030
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		10,805
21	Increase in Property Tax Due to Increase in Revenue Requirement		<u>\$ 1,225</u>
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 1,225
23	Increase in Revenue Requirement		\$ 70,689
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		<b>1.732488%</b>

**OPERATING INCOME ADJUSTMENT NO. C - CALCULATION OF TEST YEAR AND STAFF RECOMMENDED INCOME TAXES**

LINE NO.	DESCRIPTION	Test Year	
		Test Year	Staff Recommended
C	INCOME TAX EXPENSE - Per Company	\$ (9,125)	
	Per Staff	(8,091)	
	Staff's test year adjustment	\$ 1,034	
<u>Calculation of Income Tax:</u>			
1	Revenue (Schedule CLP-1)	\$ 207,887	\$278,576
2	Operating Expenses Excluding Income Taxes	248,139	249,363
3	*Actual Interest Expense	0	0
4	Arizona Taxable Income (L1-L2-L3)	(40,252)	29,213
5	Arizona State Income Tax Rate	6.000%	6.00%
6	Arizona Income Tax (L4 x L6)	(2,415)	1,753
7	Federal Taxable Income	(37,837)	27,460
8	Federal Income Tax (Line 7*15%)	(5,675)	4,119
9	Combined Federal and State Income Tax (L6 + L8)	\$ (8,091)	\$5,872

Rate Design

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8 x 3/4 Inch	\$ 15.00	\$ 26.50	\$ 18.00
3/4 Inch	22.50	26.50	25.00 (a)
1 Inch	37.50	66.25	50.00
2 Inch	75.00	132.50	200.00
3 Inch	120.00	212.00	400.00
4 Inch	240.00	424.00	625.00
6 Inch	375.00	662.50	1,250.00
<b>Commodity Charge - Per 1,000 Gallons</b>			
<u>5/8" x 3/4" Meter (Residential)</u>			
0 to 3,000 gallons	3.2500	3.6500	\$ 5.3500
3,001 to 10,000 gallons	4.9000	5.5700	7.0000
Over 10,000 gallons	5.8500	6.7200	8.5000
<u>3/4" Meter (Residential)</u>			
0 to 3,000 gallons	3.2500	3.6500	\$ 5.3500
3,001 to 10,000 gallons	4.9000	5.5700	7.0000
Over 10,000 gallons	5.8500	6.7200	8.5000
<u>5/8" X 3/4 " Meter (Non-Residential)</u>			
0 to 10,000 gallons	4.9000	5.5700	7.0000
Over 10,000 gallons	5.8500	6.7200	8.5000
<u>3/4" Meter (Non-Residential)</u>			
0 to 10,000 gallons	4.9000	5.5700	7.0000
Over 10,000 gallons	5.8500	6.7200	8.5000
<u>1" Meter (All Classes)</u>			
0 to 16,000 gallons	4.9000	5.5700	7.0000
Over 16,000 gallons	5.8500	6.7200	8.5000
<u>1 1/2" Meter</u>			
0 to 48,000 gallons	4.9000	5.5700	7.0000
Over 48,000 gallons	5.8500	6.7200	8.5000
<u>2" Meter</u>			
0 to 90,000 gallons	4.9000	5.5700	7.0000
Over 90,000 gallons	5.8500	6.7200	8.5000
<u>3" Meter</u>			
0 to 160,000 gallons	4.9000	5.5700	7.0000
Over 160,000 gallons	5.8500	6.7200	8.5000
<u>4" Meter</u>			
0 to 285,000 gallons	4.9000	5.5700	7.0000
Over 285,000 gallons	5.8500	6.7200	8.5000
<u>6" Meter</u>			
0 to 640,000 gallons	4.9000	5.5700	7.0000
Over 640,000 gallons	5.8500	6.7200	8.5000
<b>Bulk Water</b>			
Per 1000 gallons	5.8500	6.7200	8.5000

	Present	Company Proposed Rates	Staff Recommended Rates
<b>Service Line and Meter Installation Charges</b>			
Establishment Charge	\$ 20.00	\$ 30.00	\$ 25.00
Establishment (After Hours)	\$ 30.00	N/A	N/A
Reconnection (Delinquent)	\$ 30.00	\$ 40.00	\$ 35.00
Reconnection Delinquent (After Hours)	\$ 50.00	N/A	N/A
After Hour Service Charge (at customers request)	N/A	\$ 35.00	\$ 35.00
Meter Test (if correct)	\$ 30.00	\$ 40.00	\$ 30.00
Deposit and Deposit Interest	*	*	*
Re-establishment (within 12 months)	**	**	**
NSF Check	\$ 25.00	\$ 30.00	\$ 25.00 (a)
Deferred Payment (per month)	1.50%	1.50%	1.50%
Late Fee Penalty	1.50%	1.50%	1.50%
Meter Re-Read (if correct)	\$ 10.00	\$ 20.00	\$ 15.00

**Monthly Service Charge for Fire Sprinklers**

4" or Smaller	***
6"	***
8"	***
10"	***
Larger than 10"	***

(a) Baca Float may only charge one NSF fee when customers are billed for water and wastewater services on one bill.

\* Per Commission Rules A.A.C. (R14-2-403.B)

\*\* Months off system times the minimum (R14-2-403.D)

\*\*\* 2.00% of monthly minimum for a comparable sized meter connection, but no less than \$10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

**Service Line and Meter Installation Charges**

METER SIZE	Company's	Company's	Company and	Company and
	Current Meter Installation Charges	Current Total Charges	Staff Proposed Meter Installation Charges	Staff Proposed Total Charges
5/8 x 3/4-inch	\$90	\$450	\$155	\$600
3/4-inch	\$140	\$500	\$255	\$700
1-inch	\$205	\$575	\$315	\$810
1-1/2-inch	\$335	\$845	\$525	\$1,075
2-inch	\$575	\$1,375	\$1,890	\$2,720
3-inch	\$925	\$1,940	\$2,545	\$3,710
4-inch	\$1,635	\$3,065	\$3,645	\$5,315
6-inch	\$3,725	\$5,875	\$6,920	\$9,250
Over 6-inch	N/A	N/A	Cost	Cost

**Typical Bill Analysis**  
Residential 5/8 Inch Meter

Schedule CLP-5-W

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,000	\$ 29.65	\$ 43.02	\$ 13.37	45.09%
Median Usage	3,000	\$ 24.75	\$ 37.45	\$ 12.70	51.31%
<b>Staff Recommended</b>					
Average Usage	4,000	\$ 29.65	\$ 41.05	\$ 11.40	38.45%
Median Usage	3,000	\$ 24.75	\$ 34.05	\$ 9.30	37.58%

**Present & Proposed Rates (Without Taxes)**  
Residential 5/8 Inch Meter

Gallons	Present	Company Proposed	%	Staff Recommended	%
	5/8 x 3/4"			5/8 x 3/4"	
	Minimum Charge \$ 15.00	Minimum Charge \$ 26.50		Minimum Charge \$ 18.00	
	1st Tier Rate 3.2500	1st Tier Rate 3.6500		1st Tier Rate 5.3500	
	1st Tier Breakover 3,000	1st Tier Breakover 3,000		1st Tier Breakover 3,000	
	2nd Tier Rate 4.9000	2nd Tier Rate 5.5700		2nd Tier Rate 7.0000	
	2nd Tier Breakover 10,000	2nd Tier Breakover 10,000		2nd Tier Breakover 10,000	
	3rd Tier Rate 5.8500	3rd Tier Rate 6.7200		3rd Tier Rate 8.5000	

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$ 15.00	\$ 26.50	76.67%	\$ 18.00	20.00%
1,000	18.25	30.15	65.21%	23.35	27.95%
2,000	21.50	33.80	57.21%	28.70	33.49%
3,000	24.75	37.45	51.31%	34.05	37.58%
4,000	29.65	43.02	45.09%	41.05	38.45%
5,000	34.55	48.59	40.64%	48.05	39.07%
5,109	35.08	49.20	40.23%	48.81	39.13%
6,000	39.45	54.16	37.29%	55.05	39.54%
6,435	41.58	56.58	36.08%	58.10	39.71%
7,000	44.35	59.73	34.68%	62.05	39.91%
8,000	49.25	65.30	32.59%	69.05	40.20%
9,000	54.15	70.87	30.88%	76.05	40.44%
10,000	59.05	76.44	29.45%	83.05	40.64%
11,000	64.90	83.16	28.14%	91.55	41.06%
12,000	70.75	89.88	27.04%	100.05	41.41%
13,000	76.60	96.60	26.11%	108.55	41.71%
14,000	82.45	103.32	25.31%	117.05	41.96%
15,000	88.30	110.04	24.62%	125.55	42.19%
16,000	94.15	116.76	24.01%	134.05	42.38%
17,000	100.00	123.48	23.48%	142.55	42.55%
18,000	105.85	130.20	23.00%	151.05	42.70%
19,000	111.70	136.92	22.58%	159.55	42.84%
20,000	117.55	143.64	22.19%	168.05	42.96%
25,000	146.80	177.24	20.74%	210.55	43.43%
30,000	176.05	210.84	19.76%	253.05	43.74%
35,000	205.30	244.44	19.06%	295.55	43.96%
40,000	234.55	278.04	18.54%	338.05	44.13%
45,000	263.80	311.64	18.13%	380.55	44.26%
50,000	293.05	345.24	17.81%	423.05	44.36%
75,000	439.30	513.24	16.83%	635.55	44.67%
100,000	585.55	681.24	16.34%	848.05	44.83%

**SUMMARY OF FILING**

	-- Present Rates --		Proposed	Recommended
	Company as Filed	Staff as Adjusted	Company as Filed	Saff as Recommended
<b>Revenues:</b>				
Wastewater Revenues	\$ 248,222	\$ 248,222	\$ 290,222	\$ 279,731
Surcharge Revenue	\$ -	\$ -	\$ -	\$ -
Other Wastewater Revenues	\$ 1,769	\$ 1,769	\$ 1,769	\$ 1,769
<b>Total Operating Revenue</b>	<b>\$ 249,991</b>	<b>\$ 249,991</b>	<b>\$ 291,991</b>	<b>\$ 281,500</b>
<b>Operating Expenses:</b>				
Operation and Maintenance	\$ 241,461	\$ 241,461	\$ 241,461	\$ 241,461
Depreciation	\$ 8,636	\$ 8,166	\$ 8,636	\$ 8,166
Property Taxes	\$ 12,977	\$ 12,977	\$ 15,157	\$ 13,522
Taxes Other Than Income	\$ 156	\$ 156	\$ 156	\$ 156
Income Taxes	\$ (3,047)	\$ (2,566)	\$ 5,562	\$ 3,658
<b>Total Operating Expense</b>	<b>\$ 260,183</b>	<b>\$ 260,194</b>	<b>\$ 270,972</b>	<b>\$ 266,963</b>
<b>Operating Income/(Loss)</b>	<b>\$ (10,192)</b>	<b>\$ (10,203)</b>	<b>\$ 21,019</b>	<b>\$ 14,537</b>
<b>Rate Base O.C.L.D.</b>	<b>\$ 144,400</b>	<b>\$ 144,400</b>	<b>\$ 144,400</b>	<b>\$ 144,400</b>
<b>Rate of Return - O.C.L.D.</b>	<b>N/M</b>	<b>N/M</b>	<b>14.56%</b>	<b>10.07%</b>

<b>RATE BASE</b>				
	----- Original Cost -----			
	Company	Adjustment*	Reference	Staff
Plant in Service	\$ 2,438,720	\$ -		\$ 2,438,720
Less:				
Accum. Depreciation	1,613,325	-		1,613,325
<b>Net Plant</b>	<b>\$ 825,395</b>	<b>\$ -</b>		<b>\$ 825,395</b>
Less:				
Line Extension Advances	\$ -	\$ -		\$ -
Service Line and Meter Advances				
Meter Deposits	-	-		-
<b>Total Advances</b>	<b>-</b>	<b>-</b>		<b>-</b>
Contributions Gross	2,140,912	-		2,140,912
Less:				
Accumulated Amortization of CIAC	(1,459,917)	-		(1,459,917)
Net CIAC	680,995	\$ -		680,995
<b>Total Deductions</b>	<b>\$ 680,995</b>	<b>\$ -</b>		<b>\$ 680,995</b>
Plus:				
1/24 Purchased Power & Water	\$ -	\$ -		\$ -
1/8 Operation & Maint.	-	-		-
Inventory	-	-		-
Prepayments	-	-		-
<b>Total Additions</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
<b>Rate Base</b>	<b>\$ 144,400</b>	<b>\$ -</b>		<b>\$ 144,400</b>

**ACCUMULATED DEPRECIATION**

No adjustment to accumulated depreciation

	PLANT BALANCE	STAFF	COMPANY
	ACCUMM. DEPR.	ACCUMM. DEPR.	ACCUMM. DEPR.
	TY end 12/31/13	TY end 12/31/13	TY end 12/31/13
351 Organization	\$ -	\$ -	-
352 Franchises	-	-	-
353 Land & Land Rights	1,084	-	-
354 Structures & Improvements	53,356	27,223	27,223
355 Power Generation Equipment	1,935	145	145
360 Collection Sewers - Force	-	-	-
361 Collection Sewers - Gravity	1,807,390	1,183,840	1,183,840
362 Special Collecting Structures	-	-	-
363 Services to Customers	5,913	177	177
364 Flow Measuring Devices	293	139	139
365 Flow Measuring Installations	-	-	-
366 Reuse Services	-	-	-
367 Reuse Meters & Meter Installations	-	-	-
370 Receiving Wells	-	-	-
371 Pumping Equipment	-	-	-
374 Reuse Distribution Reservoirs	-	-	-
375 Reuse Transmission & Distribution Sys	-	-	-
380 Treatment & Disposal Equipment	436,702	339,637	339,637
381 Plant Sewers	103,147	52,311	52,311
382 Outfall Sewer Lines	-	-	-
389 Other Plant & Miscellaneous Equipme	27,595	9,117	9,117
390 Office Furniture & Equipment	981	581	581
390.1 Computers & Software	-	-	-
391 Transportation Equipment	-	-	-
392 Stores Equipment	-	-	-
393 Tools, Shop & Garage Equipment	324	154	154
394 Laboratory Equipment	-	-	-
395 Power Operated Equipment	-	-	-
396 Communications Equipment	-	-	-
397 Miscellaneous Equipment	-	-	-
398 Other Tangible Plant	-	-	-
	<u>\$ 2,438,720</u>	<u>\$ 1,613,325</u>	<u>\$ 1,613,325</u>

**STATEMENT OF OPERATING INCOME**

	COMPANY	Staff	STAFF	Staff	Staff
	Adjusted TY	Adjustments	Adj. Test Year	Adjustments	Recommended
521 Flat Rate Revenues	\$ 248,222	\$ -	\$ 248,222	\$ 31,509	\$279,731
522 Measured Revenues	-	-	-	-	-
536 Other Wastewater Revenues	1,769	-	1,769	-	1,769
Total Revenues	\$ 249,991	\$ -	\$ 249,991	\$ 31,509	\$ 281,500
Operating Expenses:					
701 Salaries and Wages	\$ 73,092	\$ -	\$ 73,092	\$ -	\$ 73,092
710 Purchased Wastewater Treatment	-	-	-	-	-
711 Sludge Removal Expense	1,075	-	1,075	-	1,075
715 Purchased Power	11,239	-	11,239	-	11,239
716 Fuel for Power Production	-	-	-	-	-
718 Chemicals	19,235	-	19,235	-	19,235
720 Materials and Supplies	33,075	-	33,075	-	33,075
721 Office Supplies	-	-	-	-	-
731 Contractual Services - Professional	66,755	-	66,755	-	66,755
735 Contractual Services - Testing	11,289	-	11,289	-	11,289
736 Contractual Services - Other	-	-	-	-	-
740 Rents	4,856	-	4,856	-	4,856
750 Transportation Expenses	784	-	784	-	784
755 Insurance Expense	11,728	-	11,728	-	11,728
765 Regulatory Commission Expense	8,333	-	8,333	-	8,333
775 Miscellaneous Expense	-	-	-	-	-
403 Depreciation Expense	8,636	(470) a	8,166	-	8,166
408 Taxes Other Than Income	156	-	156	-	156
408.11 Property Taxes	12,977	-	12,977	545	13,522
409 Income Taxes	(3,047)	481 b	(2,566)	6,224	3,658
TOTAL OPERATING EXPENSES	\$ 260,183	\$ 11	\$ 260,194	\$ 6,769	\$ 266,963
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (10,192)</b>	<b>\$ (11)</b>	<b>\$ (10,203)</b>	<b>\$ 24,740</b>	<b>\$ 14,537</b>

**OPERATING INCOME ADJUSTMENT No. A - DEPRECIATION EXPENSE**

A	-	DEPRECIATION EXPENSE- Per Company	8,636
		Per Staff	<u>8,166</u>
			<u>(470)</u>

LINE NO.	ACCT NO.	DESCRIPTION	UTILITY PLANT IN SERVICE BALANCES	FULLY/NON-DEPRECIABLE PLANT BALANCES	DEPRECIABLE PLANT IN SERVICE	DEPREC. RATE	DEPRECIATION EXPENSE
		<b>Plant In Service</b>					
1	351	Organization	\$ -	\$ -	\$ -	0.00%	\$ -
2	352	Franchises				0.00%	-
3	353	Land & Land Rights	1,084	1,084		0.00%	-
4	354	Structures & Improvements	53,356		53,356	3.33%	1,777
5	355	Power Generation Equipment	1,935		1,935	5.00%	97
6	360	Collection Sewers - Force				2.00%	-
7	361	Collectoin Sewers - Gravity	1,807,390		1,807,390	2.00%	36,148
8	362	Special Collecting Structures				2.00%	-
9	363	Services to Customers	5,913		5,913	2.00%	118
10	364	Flow Measuring Devices	293		293	10.00%	29
11	365	Flow Measuring Installations					-
12	370	Receiving Wells				2.00%	-
13	371	Pumping Equipment				8.33%	-
14	380	Treatment and Disposal Equipment	436,702		436,702	5.00%	21,835
15	381	Plant Sewers	103,147		103,147	5.00%	5,157
16	382	Outfall Sewer Lines				3.33%	-
17	389	Other Plant & Misc. Equip.	27,595		27,595	6.67%	1,841
18	390	Office Furniture & Equipment	981		981	6.67%	65
19	391	Transportation Equipment				20.00%	-
20	393	Tools, Shop & Garage Equip.	324		324	5.00%	16
21	394	Laboratory Equipment				10.00%	-
22	395	Power Operated Equipment				5.00%	-
23	398	Other Tangible Plant				10.00%	-
24		Subtotal General	<u>\$ 2,438,720</u>		<u>\$ 2,437,636</u>		<u>\$ 67,084</u>
25		Less: Amortization of Contributions					<u>\$ -</u>
26							
27		Composite Depr. Rate (Depr Exp / Depr. Plant)	2.75%				\$ 67,084
28		CIAC	\$ 2,140,912				8,636
29		Amortization of CIAC (Line	\$ 58,918				<u>\$ 58,448</u>
30							
31		Depr. Exp before Ammortization of CIAC	\$ 67,084				
32		Less Amortization of CIAC	\$ 58,918				
33		Test Year Depr. Expense (Staff)	\$ 8,166				
34		Test Year Depr. Expense (Company)	\$ 8,636				
35		Staff's Total Test Year Adjustment	<u>\$ (470)</u>				

**OPERATING INCOME ADJUSTMENT NO. B - PROPERTY TAX EXPENSE**

B	PROPERTY TAX EXPENSE - Per Company	13,522	
	Per Staff	12,977	
	To reflect Staff's recommended property tax expense on recommended revenues		(545)

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 249,991	\$ 249,991
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	499,982	499,982
4	Staff Recommended Revenue, Per Schedule CLP-1	249,991	281,500
5	Subtotal (Line 4 + Line 5)	749,973	781,482
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	249,991	260,494
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	499,982	520,988
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	499,982	520,988
13	Assessment Ratio	18.50%	0
14	Assessment Value (Line 12 * Line 13)	92,497	96,383
15	*Composite Property Tax Rate	14.02950%	14.02950%
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 12,977	\$ -
17	Company Proposed Property Tax	12,977	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ (0)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 13,522
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		12,977
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 545
22	Increase to Property Tax Expense		\$ 545
23	Increase in Revenue Requirement		31,509
24	Increase to Property Tax per Dollar Increase in Revenue (Line 19/Line 20)		1.730305%

OPERATING INCOME ADJUSTMENT NO. B - CALCULATION OF TEST YEAR AND STAFF RECOMMENDED INCOME TAXES

		<b>Test Year</b>
C	INCOME TAX EXPENSE - Per Company	(3,047)
	Per Staff	(2,566)
	Staff 's test year adjustment	481

LINE NO.	DESCRIPTION	Test Year	STAFF Recommended
	<u>Calculation of Income Tax:</u>		
1	Revenue (Schedule CLP-1)	\$ 249,991	\$ 281,500
2	Operating Expenses Excluding Income Taxes	\$ 262,760	\$ 263,304
3	*Actual Interest Expense	\$ -	\$ -
4	Arizona Taxable Income (L1-L2-L3)	\$ (12,769)	\$ 18,196
5	Arizona State Income Tax Rate	6.000%	6.000%
6	Arizona Income Tax (L4 x L6)	\$ (766)	\$ 1,092
7	Federal Taxable Income	\$ (12,003)	\$ 17,104
8	Federal Income Tax (Line 7*15%)	\$ (1,800)	\$ 2,566
9	Combined Federal and State Income Tax (L6 + L8)	\$ (2,566)	\$ 3,658

**RATE DESIGN**

<b>RATES</b>	<b>Present</b>	<b>Company</b>	<b>Staff</b>
<b>Monthly Customer Charge:</b>	<b>Rates</b>	<b>Proposed</b>	<b>Recommended</b>
Residential	\$ 54.00	\$ 63.16	\$ 61.00
Commercial	\$ 90.00	\$ 105.29	\$ 100.00
Effluent Sales (per 1,000 gallons) All gallons of usage	\$ 3.27	\$ 3.27	\$ 3.27

**SERVICE LATERAL INSTALLATION CHARGES:**

	<b>Present</b>	<b>Company</b>	<b>Staff</b>
	<b>Rates</b>	<b>Proposed</b>	<b>Recommended</b>
4-inch	\$ 800	\$ 900	\$ 900
6-inch	\$ 1,000	\$ 1,150	\$ 1,150
8-inch	\$ 1,200	\$ 1,400	\$ 1,400
10-inch	\$ 1,400	\$ 1,650	\$ 1,650
12-inch	\$ 1,600	\$ 2,000	\$ 2,000

**MISCELLANEOUS SERVICE CHARGES**

	<b>Present</b>	<b>Company</b>	<b>Staff</b>
	<b>Rates</b>	<b>Proposed</b>	<b>Recommended</b>
Establishment	\$ 20.00	\$ 25.00	\$ 25.00
Reconnection (Delinquent Charge)	\$ 30.00	\$ 35.00	\$ 35.00
After Hours Service Charge	\$ 50.00	\$ 50.00	\$ 50.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-establishment (within 12 months)	**	**	**
NSF Check	\$ 25.00	\$ 30.00	\$ 25.00 (a)
Deferred Payment	1.50%	1.50%	1.50%
Late Payment Penalty	1.50%	1.50%	1.50%

(a) Baca Float may only charge one NSF fee when customers are billed for water and wastewater services on one bill.

\* Per Commission A.A.C. Rule R14-2-603.B

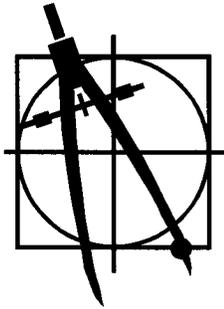
\*\* Months off systems times the monthly minimum (A.A. C. R14-2-603.B)

Typical Bill Analysis  
 RESIDENTIAL

	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Company Proposed	\$ 54.00	\$ 63.16	\$ 9.16	16.96%
Staff Recommended	\$ 54.00	\$ 61.00	\$ 7.00	12.96%

Present & Proposed Rates  
 RESIDENTIAL

Present	Company Proposed	Staff Recommended
Minimum Charge \$ 54.00	Minimum Charge \$ 63.16	Minimum Charge \$ 61.00
Rates	Rates Increase	Rates Increase
\$ 54.00	\$ 63.16 16.96%	\$ 61.00 12.96%



**Engineering Report for  
Baca Float Water Company, Inc.**

**Docket No. WS-01678A-14-0425 (Rates)**

**By Jian Liu**

**April 7, 2015**

**CONCLUSIONS**

- A. Baca Float Water Company, Inc.'s ("Company") reported 24,620,000 gallons of water pumped and 21,713,000 gallons of water sold during the test year. As a result, the water loss is calculated to be 11.81%.
- B. The Company's water system has adequate well and storage capacity to serve its present customer base and reasonable growth.
- C. The Arizona Department of Environmental Quality ("ADEQ") reported that the Company's drinking water system, Public Water System ("PWS") No. 12-037, is currently delivering water that meets water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. (ADEQ compliance status report dated March 5, 2015).
- D. The Company is located in Arizona Department of Water Resources ("ADWR")'s Santa Cruz Active Management Area ("AMA") and is subject to ADWR AMA reporting and conservation requirements. ADWR reported that the Company's drinking water system is not in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report dated January 27, 2015).
- E. A check with the Arizona Corporation Commission ("ACC" or "Commission") Utilities Division Compliance Section showed no delinquent compliance items for the Company. (ACC Compliance Section Email dated February 5, 2015).
- F. The Company has an approved curtailment tariff with an effective date of January 1, 2008.
- G. The Company has an approved backflow prevention tariff with an effective date of January 10, 1997.

## RECOMMENDATIONS

1. Commission Utilities Division Staff ("Staff") recommends that the Company monitor water use for its water system and report water losses on a monthly basis in its Annual Report to the Commission. The Company shall coordinate readings from the well production meters and individual customer meters and report the results in its Annual Report going forward. Staff further recommends that if the reported water loss is still greater than 10 percent for its water system as of December 31, 2016, the Company shall prepare a water loss reduction report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, Baca Float Water Company should submit a detailed cost benefit analysis to support its opinion. In no case shall Baca Float Water Company allow water loss to be greater than 15 percent for its water system. The water loss reduction report or the detailed cost benefit analysis, whichever is submitted per this recommendation, shall be docketed as a compliance item no later than April 30, 2017.
2. Staff recommends the adoption of its annual water testing of \$2,263 and operator's expenses of \$6,000 totaling to \$8,263 be used for purposes of this application.
3. In the prior rate case, the Company adopted Staff's typical and customary water depreciation rates. These rates are presented in Table H-1 and it is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners category.
4. Staff recommends the approval of the Company and Staff's proposed Service Line and Meter Installation Charges as delineated in Table I-1.
5. Staff recommends that any increase in rates and charges approved in this proceeding not become effective until the first day of the month following the Company's filing of an updated ADWR Compliance Status Report indicating that the Company is in compliance with ADWR requirements.
6. Staff recommends approval of the three Best Management Practices ("BMP") tariffs attached hereto as Exhibit A.

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**A. LOCATION OF COMPANY**

On December 30, 2014, Baca Float Water Company, Inc. – Water Division (“Company”) filed a rate application with the Arizona Corporation Commission (“ACC” or “Commission”). This Engineering Report constitutes the Commission Utilities Division Staff (“Staff”) engineering evaluation of the Company’s rate application.

Baca Float Water Company, Inc. (“Company”) serves the community of Tubac, which is located approximately 30 miles north of Nogales along Interstate Highway 19. Figure 1 shows the location of the Company within Santa Cruz County and Figure 2 shows the Certificate of Convenience and Necessity covering approximately 3.5 square-miles.

**B. DESCRIPTION OF THE WATER SYSTEM**

The water system was field inspected on February 26, 2015, by Jian Liu, Arizona Corporation Commission (“ACC” or Commission”) Utilities Division Staff (“Staff”) Engineer, in the accompaniment of Richard Lockwood, representing the Company.

The entire water plant pumping facilities are located at the Water Plant Site. This site consists of two wells, a 280 gallon per minute arsenic treatment system, three storage tanks, one booster system and a distribution system serving 403 customers at the end of the test year ending December 2013. A system schematic is shown as Figure 3 and a detailed plant facility listing is as follows:

Table 1. Well Data

Well Information	Well #1	Well #2
ADWR ID No.	55-558318	55-558319
Casing Size	6-inch	10-inch
Casing Depth	600 feet	610 feet
Pump Size	3-Hp	15-Hp
Pump Type	Submersible	Submersible
Pump Yield	100 GPM	450 GPM, but valved back to 275 GPM
Wellhead Meter	4-inch	8-inch
Year Drilled	1997	1997
Treatments	Chlorination & Arsenic	
Arsenic levels	Untreated at 19 ppb Treated to < 0.4 ppb	

Table 2. Tanks and Booster System Facilities

Site	Storage Tanks	Booster System
Water Plant	Two 40,000 gallon storage tanks and one 80,000 gallon storage tank	Two 15-Hp & one 50-Hp booster pumps 7,000 gallon pressure tank

Table 3. Water Mains

Diameter	Material	Length
2-inch	PVC	900 ft.
4-inch	PVC	800 ft.
6-inch	PVC	9,050 ft.
8-inch	PVC	17,500 ft.
12-inch	PVC	6,000 ft.
	Total:	34,250 ft.

Table 4. Customer Meters

Size	Quantity
5/8 x 3/4-inch	307
3/4-inch	96
1-inch	2
2-inch	16
3-inch	-
4-inch	-
Total:	421

Table 5. Hydrants

Type	Quantity
Standard	45

Table 6. Treatment, Equipment & Structures

Treatment, Equipment & Structures
Arsenic Treatment System – AdEdge pre-packaged modular system, 280 GPM capacity using Bayoxide E-33 adsorption media and a 7,000 gallon backwash tank.
Liquid chlorination system – used for pre-treatment prior to arsenic treatment.
Tuff shed – for storage, 14 feet by 20 feet
Storage shed – for pipe storage, 15 feet by 20 feet
Arsenic treatment shed – 16 feet by 24 feet
Booster system shed – 16 feet by 18 feet
Fencing – 600 lineal feet of chain link surrounding entire Water Plant
Natural gas generator – 250 kW

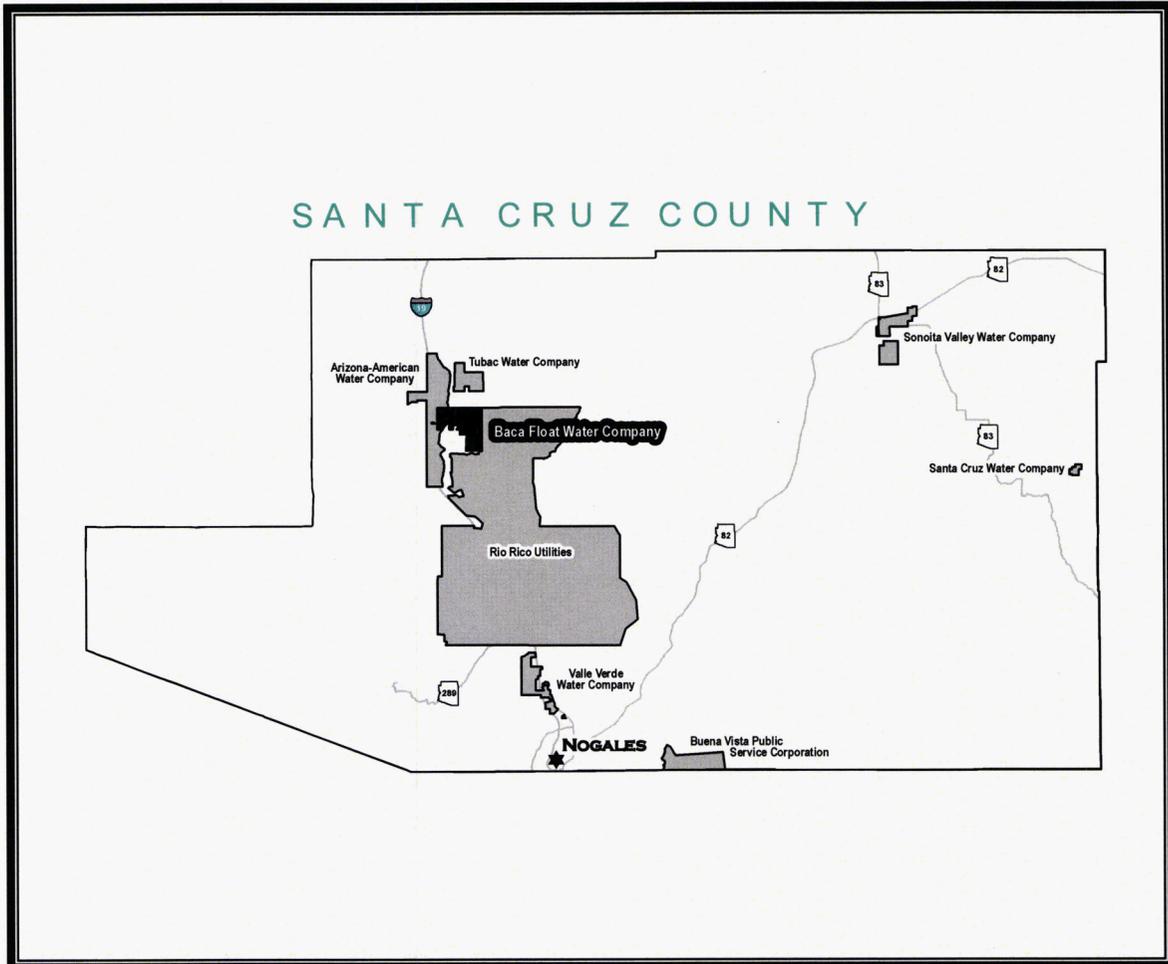


Figure 1. County Map

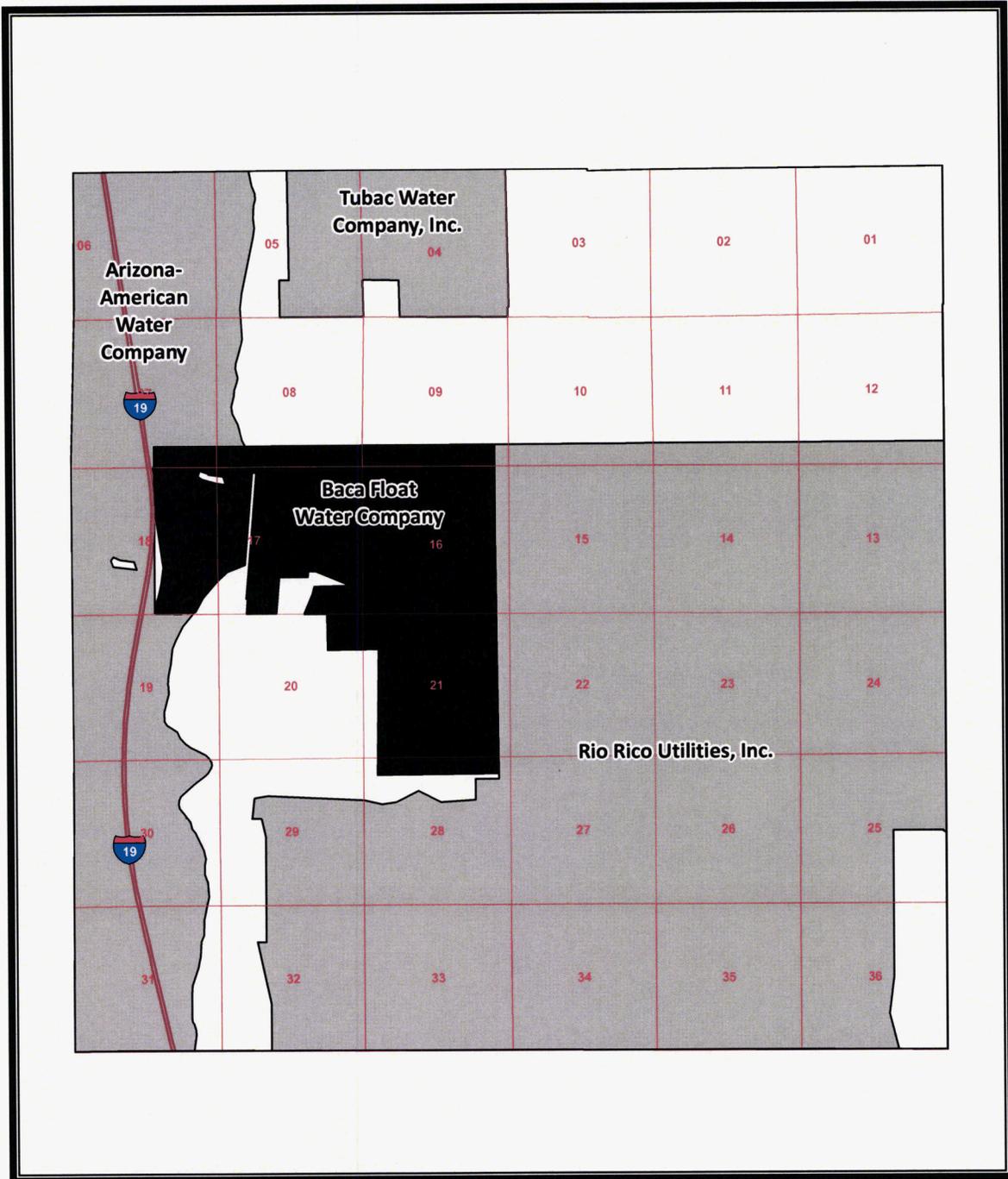


Figure 2. Certificated Area

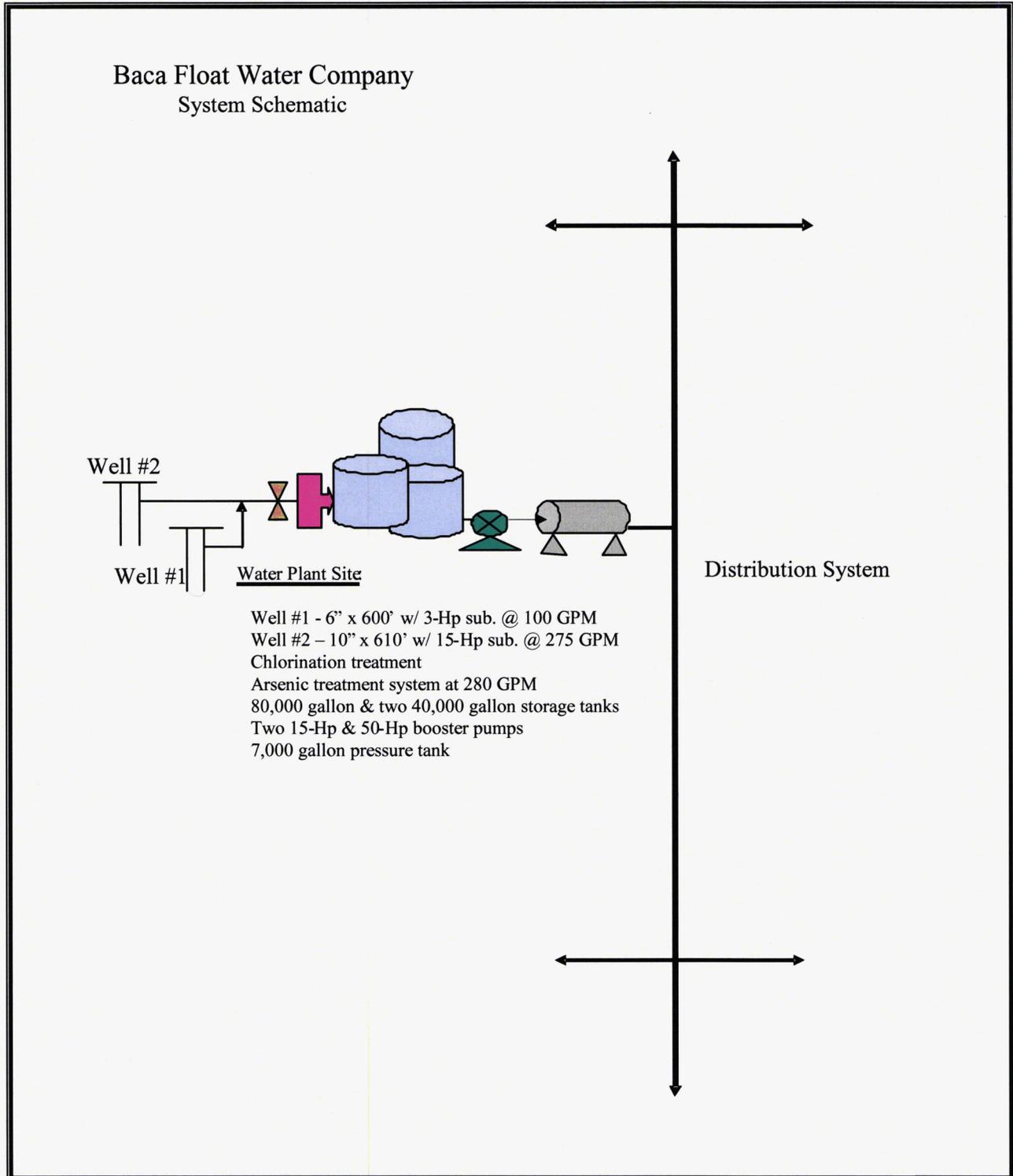


Figure 3. System Schematic

### C. WATER USE

#### *Water Sold*

Figure 4 presents the water consumption data provided by the Company for the test year 2013. The customer consumption experienced a high monthly usage of 177 gallons per day (“GPD”) per connection in June and a low monthly water use of 125 GPD per connection in February for an average monthly use of 149 GPD per connection.

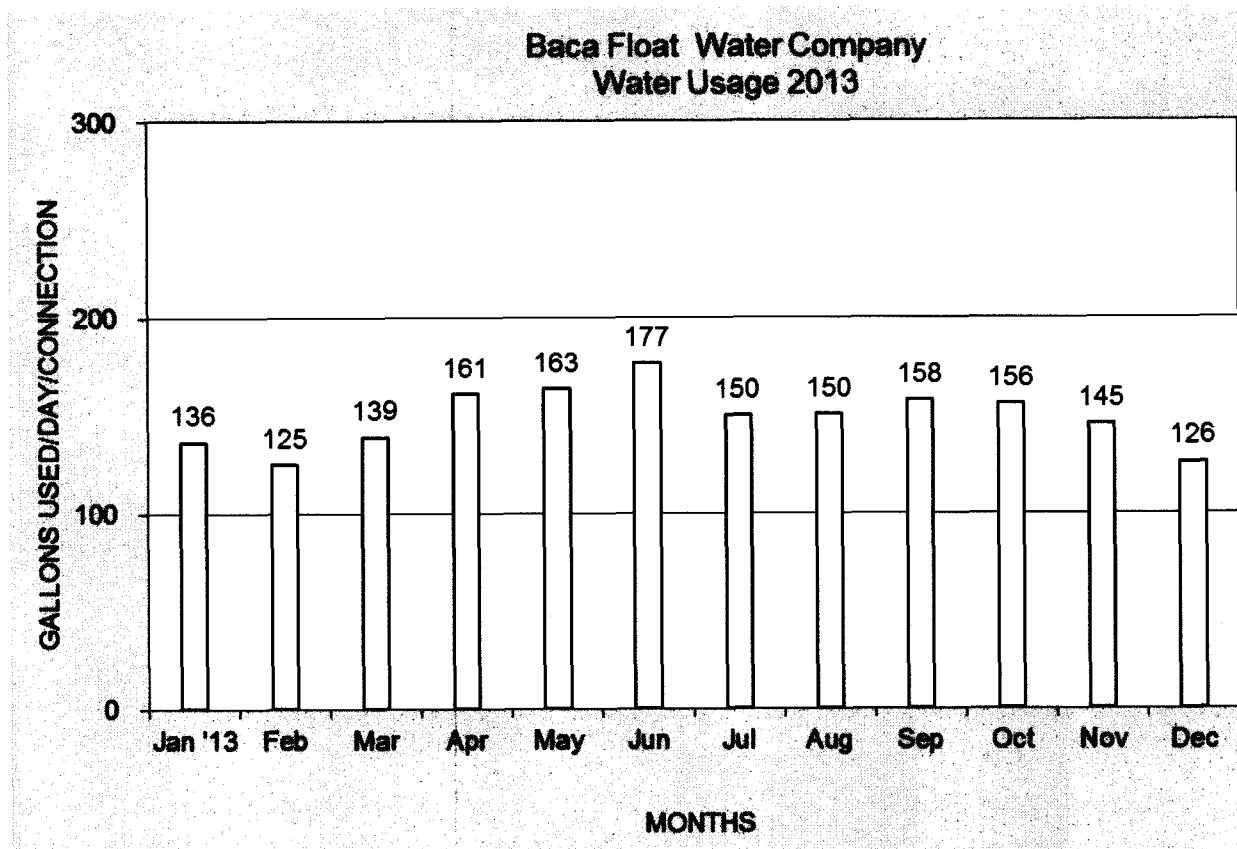


Figure 4. Water Use

#### *Non-Account Water*

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing. The Company reported 24,620,000 gallons of water pumped and 21,713,000 gallons of water sold during the test year. As a result, the water loss is calculated to be 11.81%.

Staff recommends that the Company monitor water use for its water system and report water losses on a monthly basis in its Annual Report to the Commission. The Company shall coordinate readings from the well production meters and individual customer meters and report the results in its Annual Report going forward. Staff further recommends that if the reported water loss is greater than 10 percent for its water system by December 31, 2016, the Company shall prepare a water loss reduction report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, Baca Float Water Company should submit a detailed cost benefit analysis to support its opinion. In no case shall Baca Float Water Company allow water loss to be greater than 15 percent for its water system. The water loss reduction report or the detailed cost benefit analysis, whichever is submitted per this recommendation, shall be docketed as a compliance item no later than April 30, 2017.

*System Analysis*

The current well capacity of 375 GPM and storage tank capacity of 160,000 gallons is adequate to serve the present customer base and reasonable growth.

**D. GROWTH**

Figure 5 depicts the customer growth using linear regression analysis. The number of service connections was obtained from annual reports submitted to the Commission. During the test year ending December 2013, the Company had 403 customers and it is projected that the Company could have approximately 430 customers by December 2018.

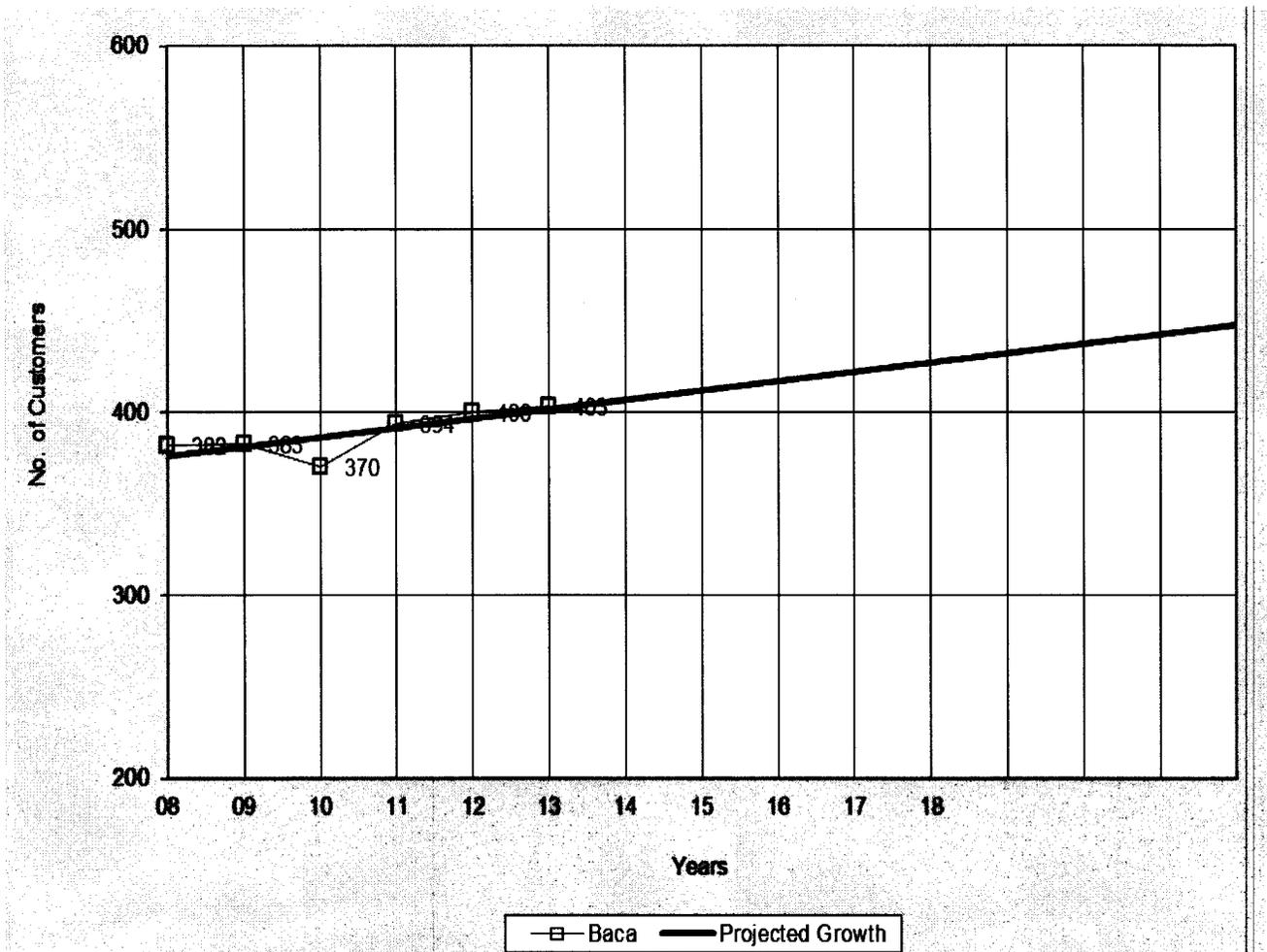


Figure 5. Growth Projection

**E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE**

*Compliance*

ADEQ reported that the Company’s drinking water system, Public Water System (“PWS”) No. 12-037, is currently delivering water that meets water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. (ADEQ compliance status report dated March 5, 2015).

*Water Testing Expense*

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP"). The Company reported its water testing expense at \$1,078 during the test year by excluding operator's fee and MAP testing costs. Staff has reviewed these expenses and has recalculated an annual water testing expense of \$2,263 with participation in the MAP and an annual operator's expense of \$6,000.

Table E-1. Water Testing Expense

Monitoring	Cost per test	No. of test	Annual Expense
Total coliform – monthly	\$25	12	\$300
MAP – IOCs, Radiochemical, Nitrate, Nitrite, Asbestos, SOCs, & VOCs	MAP	MAP	\$1,278
Arsenic – quarterly	\$25	4	\$100
Lead & Copper – annually	\$33	10	\$330
TTHMs – annually	\$100	1	\$100
HAA5 - annually	\$155	1	\$155
Subtotal:			\$2,263
Water Operator's fee <sup>1</sup> – per month	\$500	12	\$6,000
Total			<b>\$8,263</b>

Note: ADEQ's MAP invoice was \$1,278.

Staff recommends an annual water testing expense of \$2,263 and operator's expense of \$6,000 be used for purposes of this application.

**F. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE**

The Company is located in ADWR's Santa Cruz Active Management Area ("AMA") and is subject to its AMA reporting and conservation requirements. ADWR reported that the Company's drinking water system is not in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report dated January 27, 2015). On January 27, 2015, Staff received a water provider Compliance Report from ADWR which indicated that the Company was non-compliant for failure to file its system water plan on time.

<sup>1</sup> Certified operator's duties include coordinating all testing for ADEQ, inspecting water yard once a month, working with testing labs to make sure Company is in compliance, handling paperwork for various monthly, quarterly, semi-annual submissions, helping Company with ADEQ Map program annually, and ADWR withdrawal annual report. He is on call to the Company for any situations Company might encounter at all times, etc.

Staff recommends that any increase in rates and charges approved in this proceeding not become effective until the first day of the month following the Company's filing of an updated ADWR Compliance Status Report indicating that the Company is in compliance with ADWR requirements.

**G. ACC COMPLIANCE**

A check with the ACC Utilities Division Compliance Section showed no delinquent compliance items for the Company. (ACC Compliance Section Email dated February 5, 2015).

**H. DEPRECIATION RATES**

In the prior rate case, the Company adopted Staff's typical and customary water depreciation rates. These rates are presented in Table H-1 and it is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners category.

Table H-1. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00

341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00

**I. OTHER ISSUES**

*1. Service Line and Meter Installation Charges*

The Company has requested changes to its service line and meter installation charges. The charges requested by the Company are within Staff's customary range of charges.

Staff recommends approval of the charges listed under the column heading "Company and Staff Proposed" in Table I-1 below .

Table I-1. Service Line and Meter Installation Charges

Meter Size	Company's Current Service Line Charges	Company's Current Meter Installation Charges	Company's Current Total Charges	Company and Staff Proposed Service Line Charges	Company and Staff Proposed Meter Installation Charges	Company and Staff Proposed Total Charges
5/8 x 3/4-inch	\$360	\$90	\$450	\$445	\$155	\$600
3/4-inch	\$360	\$140	\$500	\$445	\$255	\$700
1-inch	\$370	\$205	\$575	\$495	\$315	\$810
1-1/2-inch	\$510	\$335	\$845	\$550	\$525	\$1,075
2-inch	\$800	\$575	\$1,375	\$830	\$1,890	\$2,720
3-inch	\$1,015	\$925	\$1,940	\$1,165	\$2,545	\$3,710
4-inch	\$1,430	\$1,635	\$3,065	\$1,670	\$3,645	\$5,315
6-inch	\$2,150	\$3,725	\$5,875	\$2,330	\$6,920	\$9,250
Over 6-inch	N/A	N/A	N/A	Cost	Cost	Cost

2. *Curtailment Tariff*

The Company has an approved curtailment tariff with an effective date of January 1, 2008.

3. *Backflow Prevention Tariff*

The Company has an approved backflow prevention tariff with an effective date of January 10, 1997.

4. *Best Management Practice ("BMP") Tariffs*

Based on discussion with Staff, Baca Float Water Company has agreed to three tariffs for implementation in its service area. The three proposed tariffs include the Public Education Program Tariff, BMP 3.7 (Customer High Water Use Notification Tariff) and 5.2 (Water System Tampering Tariff). Staff concludes that these BMP Tariffs are relevant to Company's service area. Staff recommends approval of the three BMP tariffs selected, attached hereto as Exhibit A.

Staff further recommends that Baca Float Water Company notify its customers, in a form acceptable to Staff, of the BMP Tariffs approved by the Commission and their effective date by means of either an insert in the next regularly scheduled billing or by a separate mailing and be required to provide copies of the BMP Tariffs to any customer upon request. Staff will file a letter in the Docket confirming that Company's tariffs have been updated with the tariffs approved by the Commission. The tariffs shall go into effect 30 days after the date notice is sent to customers. Baca Float Water Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

Company: \_\_\_\_\_

Decision No.: \_\_\_\_\_

Phone: \_\_\_\_\_

Effective Date: \_\_\_\_\_

## **Public Education Program Tariff**

### **PURPOSE**

A program for the Company to provide free written information on water conservation measures to its customers and to remind them of the importance of conserving water (Required Public Education Program).

### **REQUIREMENTS**

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall provide two newsletters to each customer; one to be provided in the spring, the other in the fall. The goal of the letters is to provide timely information to customers in preparation of the hot summer months, and the cold winter months, in regards to their water uses. The Company shall remind customers of the importance of water conservation measures and inform them of the information available from the Company.
2. Information in the newsletters shall include water saving tips, home preparation recommendations for water systems/pipes, landscape maintenance issues for summer and winter, water cistern maintenance reminders and additional pertinent topics. Where practical, the Company shall make this information available in digital format which can be e-mailed to customers upon request or posted on the Company's website.
3. Communication channels shall include one or more of the following: water bill inserts, messages on water bills, Company web page, post cards, e-mails and special mailings of print pieces, whichever is the most cost-effective and appropriate for the subject at hand.
4. Free written water conservation materials shall be available in the Company's business office and the Company shall send information to customers on request.
5. The Company may distribute water conservation information at other locations such as libraries, chambers of commerce, community events, etc., as well.
6. The Company shall keep a record of the following information and make it available to the Commission upon request.
  - a. A description of each communication channel (i.e., the way messages will be provided) and the number of times it has been used.
  - b. The number of customers reached (or an estimate).
  - c. A description of the written water conservation material provided free to customers.

Company: \_\_\_\_\_

Decision No.: \_\_\_\_\_

Phone: \_\_\_\_\_

Effective Date: \_\_\_\_\_

## **Customer High Water Use Notification Tariff – BMP 3.7**

### **PURPOSE**

A program for the Company to monitor and notify customers when water use seems to be abnormally high and provide information that could benefit those customers and promote water conservation (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services Program 3.7: Customer High Water Use Notification).

### **REQUIREMENTS**

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall track water usage for each customer and notify the customer if water use seems excessive for that particular billing for that time of the year.
2. The Company shall identify customers with high consumption and investigate each instance to determine the possible cause.
3. The Company shall contact the high water use customers via telephone, email, by mail or in person. The Company shall contact the customer as soon as practical in order to minimize the possible loss of water. The customer will not be required to do anything to receive this notification.
4. In the notification the Company shall explain some of the most common water usage problems and common solutions and points of contact for dealing with the issues.
5. In the notification, the customer will be reminded of at least the following water-saving precautions:
  - a. Check for leaks, running toilets, or valves or flappers that need to be replaced.
  - b. Check landscape watering system valves periodically for leaks and keep sprinkler heads in good shape.
  - c. Adjust sprinklers so only the vegetation is watered and not the house, sidewalk, or street, etc.
  - d. Continue water conservation efforts with any pools such as installing covers on pools and spas and checking for leaks around pumps.
6. In the notification, the customer will also be reminded of at least the following ordinary life events that can cause a spike in water usage:
  - a. More people in the home than usual taking baths and showers.
  - b. Doing more loads of laundry than usual.
  - c. Doing a landscape project or starting a new lawn.
  - d. Washing vehicles more often than usual.
7. The Company shall provide water conservation information that could benefit the customer, such as, but not limited to, audit programs, publications, and rebate programs.

Company: \_\_\_\_\_

Decision No.: \_\_\_\_\_

Phone: \_\_\_\_\_

Effective Date: \_\_\_\_\_

8. The Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing the high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As part of the water audit the Company shall confirm the accuracy of the customer meter if requested to do so by the customer (applicable meter testing fees shall apply).
9. The type of notification, the timing of the notification (i.e., how long after high water use was discovered by the Company), and the criteria used for determining which customers are notified shall be recorded and made available to the Commission upon request.

Company: \_\_\_\_\_

Decision No.: \_\_\_\_\_

Phone: \_\_\_\_\_

Effective Date: \_\_\_\_\_

## **WATER SYSTEM TAMPERING TARIFF – BMP 5.2**

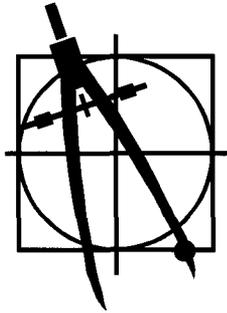
### **PURPOSE**

The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

### **REQUIREMENTS:**

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically Arizona Administrative Code ("AAC") R14-2-410 and the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. In support of the Company's water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company's authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company's services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company's action is successful, the Company may recover as damages three times the amount of actual damages.
2. Compliance with the provisions of this tariff will be a condition of service.
3. The Company shall provide to all its customers, upon request, a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.
4. If a customer is connected to the Company water system and the Company discovers that the customer has taken any of the actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.
5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.



**Engineering Report for  
Baca Float Water Company, Inc. – Sewer  
Division**

**Docket No. WS-01678A-14-0424 (Rates)**

**By Jian Liu**

**April 7, 2015**

**CONCLUSIONS**

- A. A check with the Arizona Corporation Commission (“ACC” or “Commission”) Utilities Division Compliance Section showed no delinquent compliance items for the Baca Float Water Company, Inc. (“Company”). (ACC Compliance Section Email dated February 5, 2015).
- B. Staff concludes that the Company has adequate wastewater treatment capacity to serve the existing customer base and reasonable growth.

**RECOMMENDATIONS**

- 1. According to the Arizona Department of Environmental Quality (“ADEQ”), the Company is not in compliance with ADEQ regulations. Staff recommends that any increase in rates and charges approved in this proceeding not become effective until the first day of the month following the Company’s filing of the updated ADEQ Compliance Status Report indicating that the Company’s sewer system is in compliance with ADEQ regulations.
- 2. In the prior rate case, the Company adopted Staff’s typical and customary depreciation rates. These rates are presented in Table H-1 and it is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners category.
- 3. Staff recommends the approval of the Company and Staff’s proposed Service Lateral Installation Charges as delineated in Table I-1.

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## A. INTRODUCTION

On December 30, 2014, Baca Float Water Company, Inc. – Sewer Division (“Company”) filed a rate application with the Arizona Corporation Commission (“ACC” or “Commission”). This Engineering Report constitutes the Commission Utilities Division Staff (“Staff”) engineering evaluation of the Company’s rate application.

The Company serves the community of Tubac, which is located approximately 30 miles north of Nogales along Interstate Highway 19. Figure 1 shows the location of the Company within Santa Cruz County and Figure 2 shows the Certificate of Convenience and Necessity covering approximately 2.3 square-miles.

## B. DESCRIPTION OF THE SEWER SYSTEM

The sewer system was field inspected on February 26, 2015, by Jian Liu, Staff Utilities Engineer, in the accompaniment of Richard Lockwood, representing the Company.

The sewer treatment system is a subsurface flow wetlands system capable of treating up to 100,000 gallons per day (“GPD”) of primary effluent wastewater that discharges from a series of septic tanks located in the Barrio de Tubac residential development. Collected primary effluent wastewater from the septic tanks flow to a 25,000 gallon pretreatment tank located at the head of the wetlands. From the pretreatment tank, the effluent goes through a flow meter, flow splitter, and through two parallel trains of constructed subsurface flow wetlands. Each wetland train consists of two wetland cells for a total of four 25,000 gallon cells. Effluent from each wetland cell flows to a dosing tank and then to two sand filters. Effluent from the filters is chlorinated to meet Class A reclaimed water standards and enters pump station #1, which acts as a temporary storage tank and also provides contact time for chlorination. From pump station #1, the effluent may be pumped back to the flow splitter located at the head of the wetlands or to a habitat pond. Effluent from the habitat pond flows to a storage pond. Effluent from the storage pond is pumped to an adjacent reuse site, consisting of turf, cottonwood and pine trees. The reuse site is also owned by the permittee and is permitted under a reclaimed water permit.

The sewer collection system consisted of 94 Septic Tank Effluent Pumping (“STEP”) systems and approximately 59,700 feet of sewer mains serving approximately 393 service laterals during the test year ending December 2013. The STEP systems have septic tanks ranging in size from 3,200 to 10,000 gallons that serve 3 to 8 homes per STEP system, respectively. The detailed plant facility descriptions as follows:

Table 1. Wetlands

Name	Plant Capacity
Wetlands	Subsurface flow wetlands to treat up to 100,000 GPD (four 25,000 gallon cells)

Table 2. STEP Systems

Residential Development	No. of Septic Tanks	Septic Tank Capacity	No. of Pumps	Horsepower per Pump	Capacity per Pump (GPM)
Barrio De Tubac	94	3,200 to 10,000 gallons	98	1/2	10

Table 3. Collection Mains

Diameter	Material	Length (ft.)
4-inch & 6-inch	Green Sewer Pipe (PVC) for service laterals & mains before septic tanks.	9,200
2-inch	PVC pipes for force mains from septic tanks to 6-inch collection mains.	26,000
6-inch	Green Sewer Pipe (PVC)	24,500

Table 4. Manholes

Size	Quantity
Standard	45

Table 5. Cleanouts

Quantity
69 each

Table 6. Service Laterals

Lateral Size	Quantity
4-inch	393
6-inch	
Total:	393

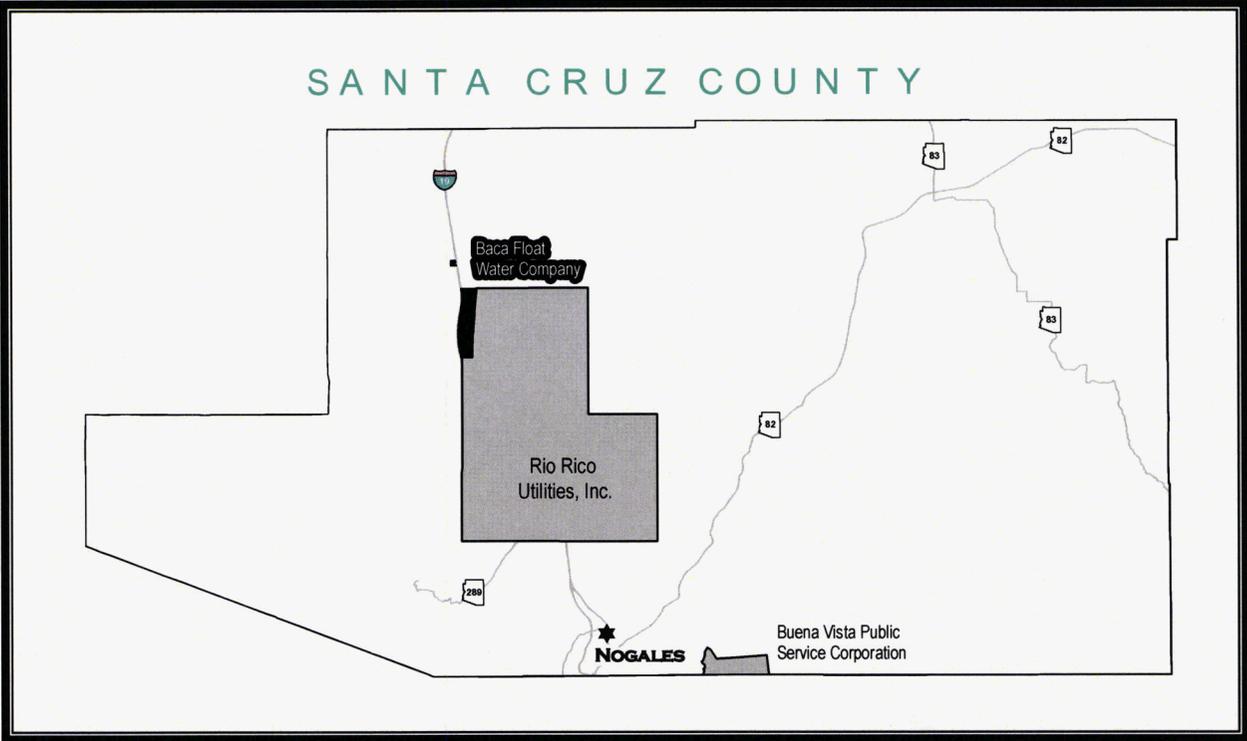


Figure 1. County Map

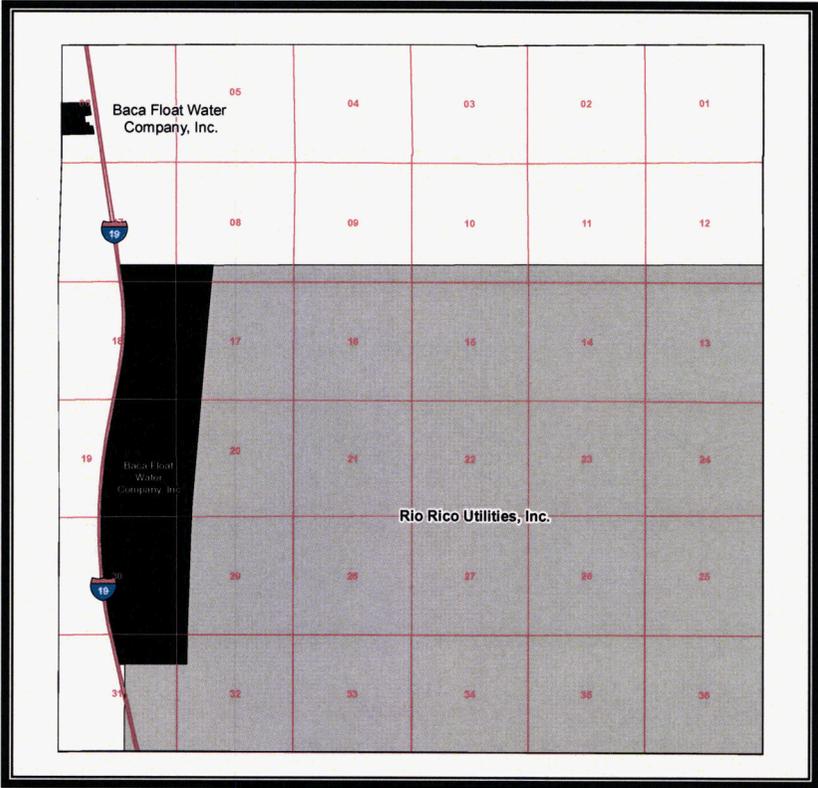


Figure 2. Certificated Area

C. SEWER FLOWS

Sewer Flows

Based on the information provided by the Company, sewer flows for the test year ending December 2013 are presented in Figure C-1. Customers experienced a high monthly average wastewater flow of 42 GPD per connection and a low monthly average wastewater flow of 0 GPD per connection for an average annual wastewater flow of 21 GPD per connection. July 2013 had no flow to the wetlands. This occurs when not enough discharge flows from the septic tanks to the wetlands since winter residents<sup>1</sup> left for summer.

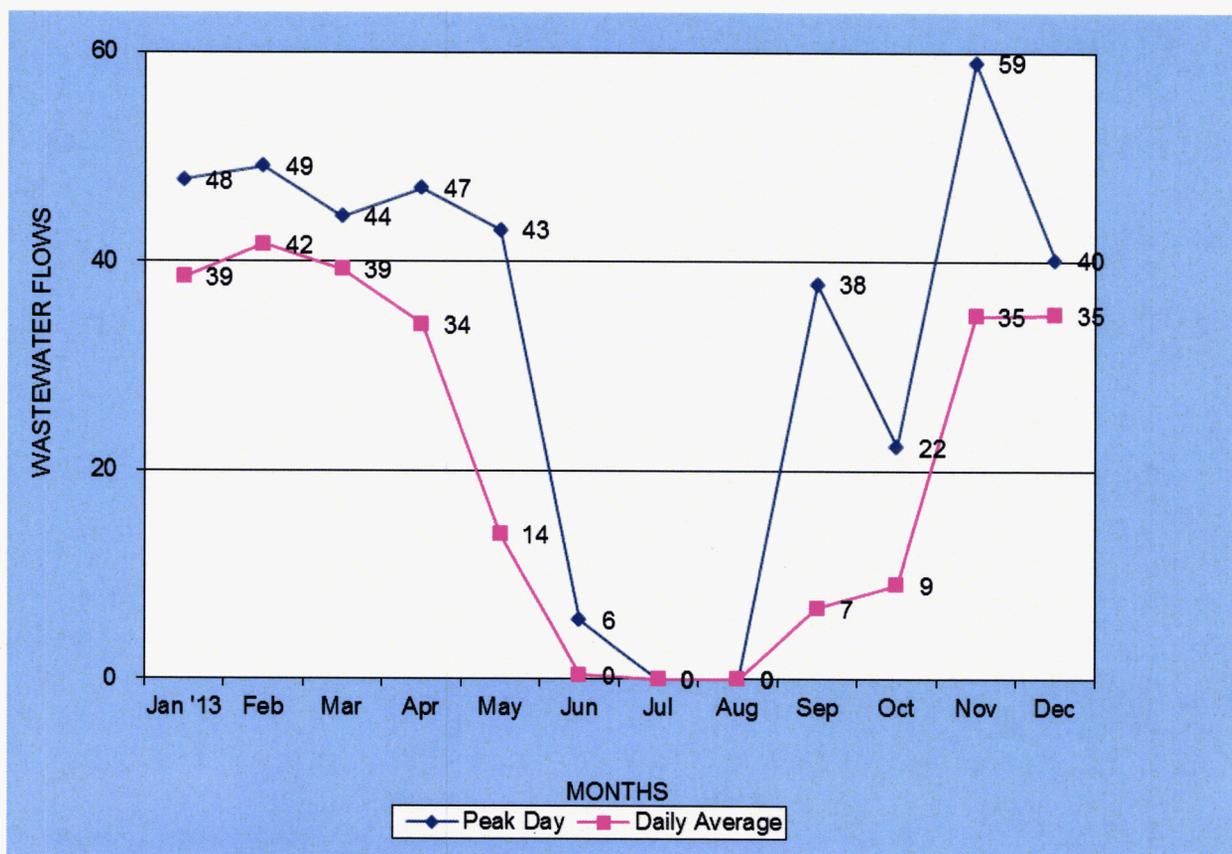


Figure C-1. Sewer Flows

System Analysis

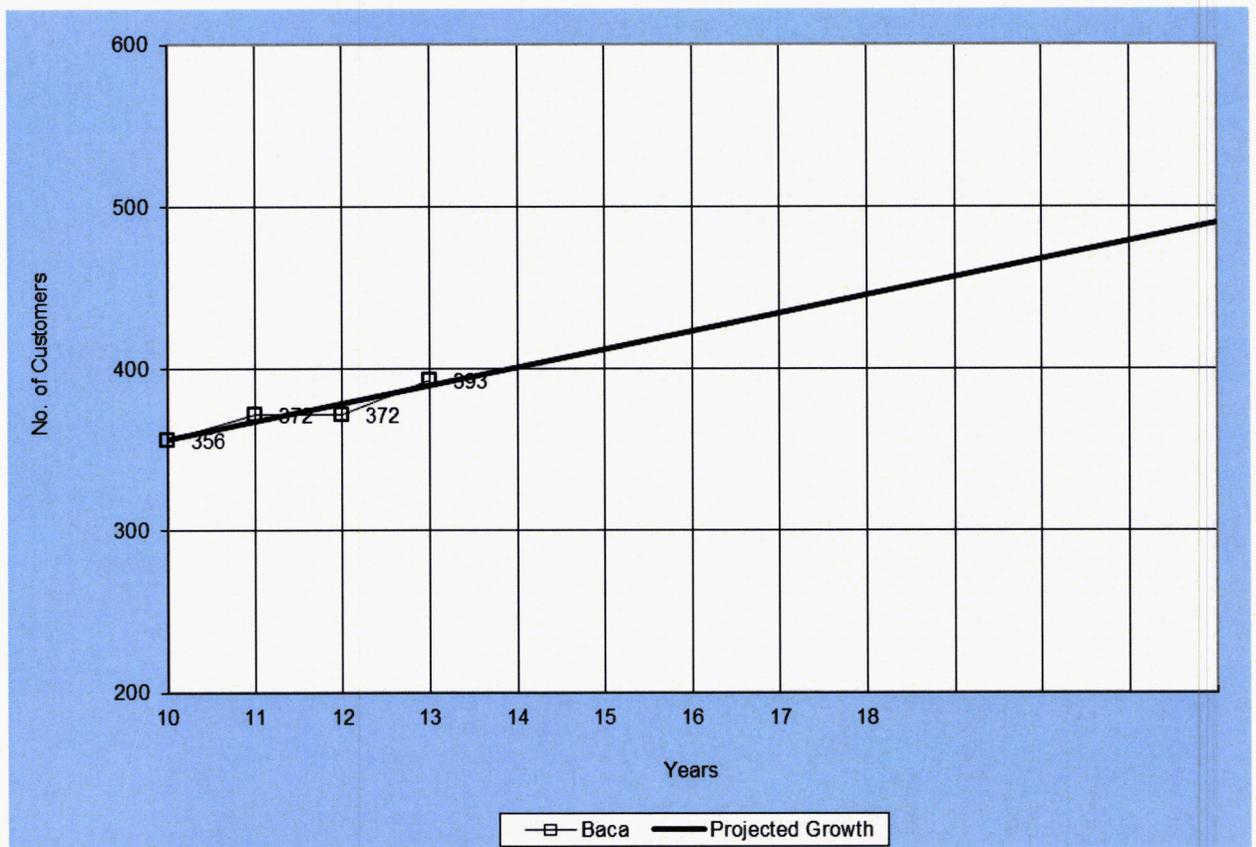
The wetlands are constructed with four 25,000 gallon treatment cells that have two parallel trains each wetland train consists of two cells (one cell could be by-passed for maintenance). Staff

<sup>1</sup> More than 50% customers are winter residents.

concludes that the Company has adequate wastewater treatment capacity to serve the existing customer base and reasonable growth.

#### D. GROWTH

Following figure depicts the customer growth using linear regression analysis. The number of service connections was obtained from annual reports submitted to the Commission. During the test year ending December 2013, the Company had 393 customers and it is projected that the Company could have approximately 440 customers by December 2018.



#### E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE

According to ADEQ the Company’s wastewater treatment system is not in compliance with ADEQ regulations (Aquifer Protection Permit No. 102959). (ADEQ compliance status report dated March 6, 2015). ADEQ reported that the Company has self-monitoring report form deficiencies.

Staff recommends that any increase in rates and charges approved in this proceeding not become effective until the first day of the month following the Company's filing of the updated ADEQ Compliance Status Report indicating that the Company's sewer system is in compliance with ADEQ regulations.

#### **F. ACC COMPLIANCE**

A check with ACC Utilities Division Compliance Section showed no delinquent compliance items for the Company. (ACC Compliance Section Email dated February 5, 2015).

#### **G. DEPRECIATION RATES**

In the prior rate case, the Company adopted Staff's typical and customary depreciation rates. These rates are presented in Table H-1 and it is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners category.

Table H-1. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
354	Structures & Improvements	30	3.33
355	Power Generation Equipment	20	5.00
360	Collection Sewers – Force	50	2.0
361	Collection Sewers- Gravity	50	2.0
362	Special Collecting Structures	50	2.0
363	Services to Customers	50	2.0
364	Flow Measuring Devices	10	10.00
365	Flow Measuring Installations	10	10.00
366	Reuse Services	50	2.00
367	Reuse Meters & Meter Installations	12	8.33
370	Receiving Wells	30	3.33
371	Pumping Equipment	8	12.50
374	Reuse Distribution Reservoirs	40	2.50
375	Reuse Transmission & Distribution System	40	2.50
380	Treatment & Disposal Equipment	20	5.0
381	Plant Sewers	20	5.0
382	Outfall Sewer Lines	30	3.33
389	Other Plant & Miscellaneous Equipment	15	6.67
390	Office Furniture & Equipment	15	6.67
390.1	Computers & Software	5	20.0
391	Transportation Equipment	5	20.0
392	Stores Equipment	25	4.0
393	Tools, Shop & Garage Equipment	20	5.0
394	Laboratory Equipment	10	10.0
395	Power Operated Equipment	20	5.0
396	Communication Equipment	10	10.0
397	Miscellaneous Equipment	10	10.0
398	Other Tangible Plant	----	----

NOTE: Acct. 398 – Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

## H. OTHER ISSUES

### 1. *Service Lateral Installation Charges*

The Company has proposed higher service lateral installation charges than Company's current charges since there are no local contractors in Tubac, resulting in more costs for contractor travel time and fuel from Tucson. Staff recommends approval of the charges listed under the column heading "Company Proposed and Staff Recommended" in Table I-1 below:

Table I-1. Service Lateral Installation Charges

Meter Size	Company's Current Charges	Company Proposed and Staff Recommended Charges
4-inch	\$800	\$900
6-inch	\$1,000	\$1,150
8-inch	\$1,200	\$1,400
10-inch	\$1,400	\$1,650
12-inch	\$1,600	\$2,000